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ABSTRACT

This hearing presents information to help lay the groundwork for legislative action on expanded parental choice in education. After an opening statement by John Boehner, Chairman, Committee on Education and the Workforce, U.S. House of Representatives, there are statements by: Lawrence W. Reed, President Mackinac Center for Public Policy, Midland, Michigan; Glenn Christopher, grandfather of Joshua Christopher Holloway, Denver, Colorado; Joshua Christopher Holloway, student, Watch Care Academy, Denver, Colorado; Virginia Walden Ford, Executive Director, DC Parents for School Choice, Washington, DC.; Latha Krishnaiyer, Chair, Legislation Committee, National PTA, Washington, DC; Elliot M. Mincberg, Vice President and Legal Policy Director, People for the American Way Foundation, Washington, DC; and Lisa Graham Keegan, Chief Executive Officer, Education Leaders Council, Washington, DC. Eleven appendices present opening statements by the speakers; a letter from the National Coalition for Public Education, submitted for the record by Lynn Woolsey, Committee on Education and the Workforce, Washington, DC.; and the Collins Center for Public Policy preliminary analysis of the Florida Income Tax Credit Scholarship Program. (SM)

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EQUAL EDUCATIONAL CHOICES FOR PARENTS

HEARING

BEFORE THE

COMMITTEE ON EDUCATION AND
THE WORKFORCE

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

HEARING HELD IN WASHINGTON, DC, APRIL 16, 2002

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HEARING ON EQUAL EDUCATIONAL CHOICES FOR PARENTS

TUESDAY, APRIL 16, 2002

U.S. HOUSE OF REPRESENTATIVES,

COMMITTEE ON EDUCATION AND THE WORKFORCE,

WASHINGTON D.C.

The committee met, pursuant to notice, at 3:00 p.m., in Room 2175, Rayburn House Office Building, Hon. John Boehner [chairman of the committee] presiding.

Present: Representatives Boehner, Hoekstra, Schaffer, Isakson, Osborne, Kildee, Owens, Payne, Roemer, Scott, and Woolsey.

Staff present: Patrick Lyden, Professional Staff Member; Doug Mesecar, Professional Staff Member; Maria Miller, Communications Coordinator; Deborah L. Samantar, Committee Clerk/Intern Coordinator; Holli Traud, Legislative Assistant; Heather Valentine, Press Secretary; Denise Forte, Minority Legislative Associate/Education; Maggie McDow, Minority Legislative Associate/Education; Alex Nock, Minority Legislative Associate/Education; Joe Novotny, Minority Staff Assistant/Education; and Suzanne Palmer, Minority Legislative Associate/Education.

OPENING STATEMENT OF CHAIRMAN JOHN BOEHNER, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON. D.C.

Chairman Boehner. The Committee on Education and the Workforce will come to order.

Under committee rule 12(b), opening statements are limited to the chairman and ranking minority member of the committee. Therefore, if other members have opening statements, they will be included in the record.

And with that, I ask unanimous consent for the hearing record to remain open for 14 days to allow members' statements and other extraneous material referenced during the hearing today to be submitted for the official record. Without objection, so ordered.

Well, good afternoon to all of you, and I want to thank our witnesses and those of you in the audience for being here today. We have invited you here because all of us believe every American child should have the chance to learn, and to pursue the American dream. Unfortunately, as things currently stand, not every child in America today will get that chance. America is not yet a land of equal educational opportunity. Children of parents in poor communities do not have the same educational options as their counterparts in wealthier districts. This reality disproportionately impacts minority Americans, and it is a direct cause of the academic achievement gap that continues to exist between disadvantaged students and their peers.

Our first priority is to strengthen all of our schools with new resources, accountability, and local control. The bipartisan No Child Left Behind Act, signed into law by President Bush in January, takes this approach. The new law says that when schools are struggling, that we will not turn our backs on them, we will focus more attention on them, and push them to excel.

And under the No Child Left Behind Act, our nation's poorer schools this year will receive an historic increase in federal aid, and schools designated as failing will qualify for extra help.

We cannot turn our backs on failing schools, and we won't. But we cannot turn our backs on children trapped in endlessly failing schools, either. When schools do not teach, and do not change, even after repeated efforts to turn them around, there must be a safety valve for the students. And that is what today's hearing is about.

For low-income parents, educational choice can mean the difference between keeping a child trapped in a failing school that refuses to change and sending the child to a better-achieving school that offers hope. Giving parents new options, such as education tax credits, which are beginning to show results in some states and are gaining momentum in other states, is a critical next step in education reform.

Expanding parental choice also helps to energize the public education system, and spur struggling schools to succeed. Critics wrongly claim that giving parents more choice will result in resources being drained away from public schools. The evidence we've seen in places like Florida, where parental choice measures for low-income families have been successfully implemented as a means of bolstering school accountability, suggest these fears are unfounded. Parental choice doesn't drain resources away from public schools. But the absence of parental choice drains hope away from disadvantaged students. And this is the issue that Congress is compelled to address.

Last year, at the president's urging, Congress took significant bipartisan action to expand choices for low-income parents. And while offering unprecedented support for public schools and public school teachers, we created expanded education savings accounts that helped parents pay for K through 12 educational expenses in both private and public schools.

And we gave parents with children in chronically failing schools the right to choose a private tutor, or a better- achieving public school or charter school. And both of these reforms were part of the president's original No Child Left Behind plan.

This year, Republicans and Democrats in Congress must build upon the solid foundation by taking further action to expand parental choices in education. Parental choice is an essential element of accountability. It makes our schools stronger, not weaker.

The president's fiscal year 2003 budget provides for an education tax credit that would build on last year's bipartisan education reforms. As Michael Guerra, president of the National Catholic Education Association, said recently, and I will quote, ``The president's proposal will unlock a door for families whose children are trapped in failing public schools. Their future is on the line, and the president recognizes that time is of the essence."

Our colleague, Bob Schaffer of Colorado, has agreed to take the lead on this project, and I expect that he will soon introduce legislation to meet the president's goal of further expanding parental choice in education.

Our colleague from Michigan, Rep. Pete Hoekstra, also has played a key role in this process, and I am grateful for their efforts.

The testimony we will hear today will help lay the groundwork for legislative action this year on expanded parental choice in education. And if Democrats and Republicans truly hope to improve all of America's schools, equal educational opportunity for all students is essential.

And with that, I would like to yield to my good friend and my colleague from the state of Michigan, Mr. Kildee.

OPENING STATEMENT OF CHAIRMAN JOHN BOEHNER, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON. D.C. – SEE APPENDIX A

Mr. Kildee. Thank you, Mr. Chairman. I would like, first of all, to submit a statement from the ranking minority member, Mr. Miller, for the record.

Chairman Boehner. Without objection, so ordered.

OPENING STATEMENT OF RANKING MINORITY MEMBER GEORGE MILLER SUBMITTED FOR THE RECORD BY REPRESENTATIVE DALE KILDEE, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C. – SEE APPENDIX B

OPENING STATEMENT OF REPRESENTATIVE DALE KILDEE, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C.

Mr. Kildee. This committee, for a number of years, has looked at options and choices for parents. In H.R. 1, we looked at and considered private school vouchers in this committee. Those were turned down, as were two votes on the floor.

But we constantly want to hear from people out there, including students, and I see a student here today. We want to get the input from everybody.

We have jurisdiction over private school vouchers. We have jurisdiction over charter schools, too, and we encourage charter schools. We have addressed those through the years with various degrees of approval or disapproval.

The tax credit proposals really are not under the jurisdiction of this committee. They would be under the jurisdiction of the Ways and Means Committee. But again, we do talk to one another down here, and we do like to get input from everyone on these issues.

So, with that, I would like to submit Mr. Miller's statement for the record, and yield back the balance of my time, Mr. Chairman.

Chairman Boehner. Thank you, Mr. Kildee. I think we will now move to the introduction of the witnesses, and I would call on Mr. Hoekstra to introduce our first witness.

Mr. Hoekstra. I thank the chairman. I would like to introduce a good friend of mine from the State of Michigan, Mr. Larry Reed.

Mr. Reed is the president of the Mackinac Center for Public Policy, or Research and Educational Institute. Previously, he taught and chaired the economics department at Midland's Northwood University. In addition, he has authored many newspaper articles and columns, written five books, and traveled to 58 countries on six continents as a freelance journalist.

Larry holds a bachelor's degree in economics, a master's degree in history, and an honorary degree of doctor of public administration.

We are glad you are here, and really want to applaud you and the Mackinac Center for the effort and the work that you do on a national basis, but most importantly, as being the head of the leading think tank at the state level in the country, congratulations, and thanks for being here.

Mr. Reed. Thank you.

Chairman Boehner. I will call on Mr. Schaffer to introduce our next two witnesses.

Mr. Schaffer. Thank you, Mr. Chairman. I had the pleasure of flying out from Denver this morning with our next two witnesses, and I am eager to introduce them.

Joshua Christopher Holloway is a fifth-grade student at Watch-Care Academy, a small, private elementary school in Denver. Joshua recently won the Alliance for Choice in Education essay contest, and he will read that essay, which is entitled, ``What a Scholarship Means to Me," today.

Joshua and his brother both receive scholarships from the Alliance for Choice in Education, or ACE, and Joshua's proud grandfather, Mr. Glenn Christopher, is here, as well, and he will explain how tax legislation, the tax credit legislation, will help more children like his own grandsons.

Mr. Christopher works for the United States Postal Service, and we are honored that he has taken time off of work to be with us to discuss this important issue today.

Joshua, and hundreds of other children like him, receives scholarships from foundations such as ACE. ACE currently assists just fewer than 700 children in the Denver metro area, and most of these children are from low-income families who could not otherwise afford to help their children get out of failing public schools and into schools such as Watch-Care.

Unfortunately, for every child receiving a scholarship, there is more than one child on ACE's waiting list. And I think you will be touched by Joshua's story today; he represents thousands of children across the country with similar stories, and they are in need of real help.

I am currently drafting a bill that we intend to introduce very soon which will provide more children like Joshua with the means to improve their academic opportunity.

Thank you, Mr. Chairman.

Chairman Boehner. Thank you. Our next witness is Virginia Walden-Ford. Ms. Ford is the executive director of D.C. Parents for School Choice, whose mission is to organize and inform parents concerning appropriate educational decisions for their children.

Prior to this position, Ms. Ford served as a community outreach director and media specialist for Friends of Choice in Urban Schools. She has also worked with the National Center for Neighborhood Enterprise as a parent outreach coordinator, a volunteer for the Center for Education Reform, and taught kindergarten at public school. On top of that, she's a good friend of mine.

Our next witness, Ms. Latha Krishnaiyer, who serves as the chair for the legislation committee of the National PTA, has been a member for 22 years. She is the past president of the Florida PTA and Broward County council PTA.

And then we will have Mr. Elliot Mincberg. He is the vice president and education policy director of People for the American Way Foundation. Previously, he was a partner in the D.C. law firm of Hogan and Hartson, where he specialized in education litigation.

And lastly, Ms. Lisa Graham Keegan is the founding member and chief executive officer of the Educational Leaders Council. Prior to this position she was Arizona's superintendent of public instruction and served two terms in the Arizona House of Representatives, from 1991 to 1994, where she chaired the education committee.

In 1999, Ms. Keegan was presented with the Milton and Rose D. Freeman Foundation Award for her leadership in educational choice and was honored by the Republican Women's Leaders Forum as educator of the year.

Well, welcome, all of our witnesses today. And under the committee rules, you will each have five minutes to testify. Your green light will come on, be on for four minutes, it will be amber for a minute, and when it turns red, you are supposed to stop. Now, we won't take your head off if you don't, but if you talk too long, we might.

So, with that, Mr. Reed, would you like to begin?

STATEMENT OF LAWRENCE W. REED, PRESIDENT, MACKINAC CENTER FOR PUBLIC POLICY, MIDLAND, MICHIGAN

Mr. Reed. Thank you, Mr. Chairman, members of the committee. Few issues are more important to the future of this country than the education of our children.

My remarks today spring from a critical premise, a premise that we need reforms that will foster a new burst of individual and institutional involvement in the learning process, reforms that will create a truly vibrant, competitive, and accountable marketplace which attracts widespread, popular participation and voluntary investment.

Not all education reforms are created equal. Indeed, at the Mackinac Center for Public Policy, we believe that all reforms intended to improve the quality of public education fall into just three categories: those dealing with rules, those involving resources, and those concerned with incentives.

Rules-based reforms include such things as extending school days and the school year, changing teacher certification and school accreditation requirements, imposing national and state testing, enacting stricter dress codes, and the like.

Research has shown that these reforms, while prompting marginal improvements, have failed to turn around a large-scale decline in education. More drastic city or state takeovers of failing schools in districts and other regulatory regimes have been and still are being tried with the same disappointing results.

Most of these efforts have driven critical elements of the management of our schools beyond the reach of parents and local governing bodies, and concentrated large portions of remote bureaucracies.

Another attempt at strategy to improve public education is through resource-based reforms. They include such measures as increased funding, new textbooks, wiring schools for Internet access, and other measures that require greater financial expenditures. They all derive from a decidedly unpopular source: raising somebody's taxes.

The central finding of over 30 years of research is clear; more money does not necessarily equal better education. There are schools, states, and countries that spend a great deal of money per pupil with poor results, while others spend much less and get much better results.

We have all but exhausted the rules and resources approaches to education reform, with little to show for our time and money in many cases. The one promising category left is incentives. I am referring to incentives that will encourage more people to get involved as parents and donors and friends of education: tax credits, in particular.

Properly designed education tax credit programs help drive the funding of education away from distant bureaucracies and put it in the hands of all citizens interested in improving education for everybody. It's a great way for every segment of society to get personally involved in education, especially when it's aimed at helping needy children.

Tax credit programs that involve contributions for all schools, public or private, can bring the diverse and sometimes disputatious education community together, because they create winners without producing losers.

They can make our school officials fundraisers, instead of tax raisers, and ultimately allow for better utilization of resources for schools. Ultimately, they can expand opportunities for children immensely and bake a bigger pie for education all the way around.

Education tax credits are meant to empower parents in the local community to participate in the education of children at any school.

Tax credits don't represent a claim by anyone on someone else's wallet. You don't get the credit if you don't pay tuition or if you don't pay taxes, or if you don't contribute to a scholarship fund. A credit on your taxes represents a return on your own money, period.

And credits can be extended, not only to parents paying tuition and other educational expenses, but also to other citizens, or even companies, that contribute to scholarship funds, that assist children in getting access to the school of their choice, public or private.

Key to the universal tax credit concept pioneered at the state level by my organization is the notion that it allows any taxpayer, individual or corporate, parent or grandparent, neighbor or friend, to contribute to the education of any elementary or secondary child, and then qualify for a credit against certain taxes owed.

Scholarship funds will be established by schools, companies, churches, and myriad private groups spurred on by individuals and companies who want to help children get the best schooling in environments that are safe and conducive to learning.

Tax credit plans are now in place at the state level in Arizona, Florida, Minnesota, Illinois, Iowa, and Pennsylvania, each program with its own unique features, but all of them generating tens of millions of dollars to help kids. Federal legislation has been proposed that would permit an education tax credit against federal income taxes owed of up to $500, $1,000 for joint filers for contributions to qualified scholarship funds or to local public schools for construction or technology. Corporations could receive a 75 percent credit up to $100,000.

That proposal is a modest start that won't break the budget. It's a great way for the federal government to improve education without spending more, taxing more, or creating any more bureaucracies. It will send a strong signal that the federal government trusts parents. It will spur more charitable giving in a bigger education funding pie at the state and local level.

And by not discriminating against private schools over public or public schools over private, it introduces a new measure of fairness that just isn't in the system today.

Indeed, education is still, overwhelmingly, a state and local matter. And that's where groups and citizens should work to craft universal tax credit plans on to their existing tax and education infrastructure. But the broad outlines are clear for every state: help parents, concerned citizens, and businesses help kids by giving them encouragement when they contribute to the costs of providing education.

It's the right thing to do, it's the fair thing to do, and it will galvanize and strengthen civil society by giving individuals and firms new incentive to assist the educational dreams of their fellow citizens. It will bolster the incentives of existing public schools to improve.

Thank you, Mr. Chairman, and members of the committee.

STATEMENT OF LAWRENCE W. REED, PRESIDENT, MACKINAC CENTER FOR PUBLIC POLICY, MIDLAND, MICHIGAN – SEE APPENDIX C

Chairman Boehner. Thank you. Mr. Christopher?

STATEMENT OF GLENN CHRISTOPHER, GRANDFATHER OF JOSHUA CHRISTOPHER HOLLOWAY, DENVER, COLORADO

Mr. Christopher. Greetings. I am Glenn Christopher, and I am the grandfather of two amazing grandsons, Joshua Christopher Holloway and Jeremiah Christopher Holloway.

I am here to testify in support of the educational tax credits. Educational tax credits would expand educational opportunities for low-income families who prefer the option of private or parochial schools for their children. It would cover private school tuition for children who are labeled ``unteachable."

Educational tax credits would offer a credit against state tax, income tax for private contributors that provide educational assistance. It would give more organizations an incentive to give donations to educational organizations and foundations that provide scholarships for the low-income students and minorities.

Educational tax credits would not only benefit low-income children in private schools, it also will benefit public schools as well. Educational tax credits will give competition more scope and improve the quality of schooling available to all students. It will also heighten the quality of education within our local, regional, and state educational institutions.

Personally, I am a benefactor of the ACE scholarship program for my two grandsons, which I greatly appreciate. It allows my two grandsons, and a host of other children, to obtain a better education at Watch-Care Academy.

STATEMENT OF GLENN CHRISTOPHER, GRANDFATHER OF JOSHUA CHRISTOPHER HOLLOWAY, DENVER, COLORADO -- SEE APPENDIX D

Chairman Boehner. Joshua?

STATEMENT OF JOSHUA CHRISTOPHER HOLLOWAY, STUDENT, WATCH CARE ACADEMY, DENVER, COLORADO

Joshua Holloway. Hello, my name is Joshua Holloway. I was born in Denver. My favorite subject is football. I am 10 years old. My mother passed away last year. I have a brother who is six and his name is Jeremiah. We go to church every Sunday. Before I go to school, I read the Bible.

I live with my grandfather. Sometimes, my cousins come over and we play outside and play video games. Before my mom passed away, she told my grandfather to bring us to Watch-Care. We were at Watch-Care before we moved to New York. My grandpa couldn't afford it for my brother and I. Mrs. Perry told him about the ACE scholarships. My grandpa applied, and we were awarded ACE scholarships.

Jeremiah and I say, ``Thank you, ACE. It is with your help that my grandpa is able to bring us to this fantastic school. I know my mom is happy and thank you, also."

When I grow up, I want to be a lawyer, then a football player. Thank you for helping all the children who are getting such a good education through your program. I want to win. This will help my grandpa with money for Jeremiah and I.

Excuse me; I would like to make a correction. I meant to say my favorite hobby is football.

STATEMENT OF JOSHUA CHRISTOPHER HOLLOWAY, STUDENT, WATCH CARE ACADEMY, DENVER, COLORADO – SEE APPENDIX E

Chairman Boehner. Well, thank you. Good job.

Joshua Holloway. Thank you.

Chairman Boehner. Ms. Ford?

STATEMENT OF VIRGINIA WALDEN FORD, EXECUTIVE DIRECTOR, D.C. PARENTS FOR SCHOOL CHOICE, WASHINGTON, D.C.

Ms. Ford. Mr. Chairman, as always, it is good to see you and members of the committee, thanks for this opportunity to speak on behalf of so many desperate parents in D.C.

Several years ago, I was a single mother with a son in ninth grade. When my son started having problems in and out of school, I definitely did not want him to stay in D.C. public schools, it just was not serving his needs, and we were very blessed to get a private school scholarship from a neighbor, and my son was able to attend a private school in the District of Columbia.

He graduated and is now in the Marine Corps. I have now have responsibility for two stepchildren who are in charter schools.

You have no idea what it's like to be trapped in poor performing schools like the ones in our neighborhoods in the District. For years, D.C. parents have been told to wait and a reform would come. But is it right to sacrifice the educational futures of our children by waiting four more, or six more years, and seeing no changes, or changes that come so slowly that they're impossible to see?

I lead D.C. Parents for School Choice, and counsel many low-income parents, and I know that being low-income does not mean caring any less about a child's future. We hear from parents who have bright children, but those children are behind in math and reading based on documented performance of many schools in the poorest communities in D.C.

Other children in those same schools, especially African-American males, have been inappropriately labeled emotionally handicapped, or learning disabled, and sentenced to a special education system that is one of the worst in the nation.

Children in some of the worst high schools in the city have begun to acclimate themselves to the dropout culture that pervades their schools. They will begin to expect to drop out the way many of their friends have. Tragically, parents are beginning to see the same attitudes, even in our city's middle school students.

Parents have begun fearing for their children's lives. In our neighborhoods, here in D.C., and in many urban centers, when young males drop out, they often end up in prison, or worse.

We have a system, which leaves hundreds of thousands of low-income, and predominantly minority, children in terrible schools with low academic achievement and high rates of crime.

D.C. Parents for School Choice has received hundreds of calls from parents who have not been fortunate enough to get a scholarship through the many scholarship groups in town such as the Washington Scholarship, the Black Student Fund, et cetera, and also from parents who are camping out for charter schools that are not keeping in pace with parents' needs to get out of failing schools.

They contact us, looking for better options for children, and we get a lot of calls from parents. Presently, we have 3,000 parents on our mailing list who have called at some time or another, looking for other kinds of opportunities for their children. And we believe that's just a fraction of parents that probably don't even know we exist, so don't know to call us.

Parents here in D.C. are daily expressing their frustrations to a school system that is taking just too long to fix itself. Many of them have come to the point where they feel hopeless and helpless, which is often interpreted as not caring about their children.

However, we have seen that when children are placed in nurturing environments, educational environments, they succeed, and their parents become active and involved. We really support any kind of effort that would make these kinds of opportunities available to parents in D.C.

We have run out of solutions for parents. The charter schools are overcrowded; the Washington Scholarship Fund can only serve, you know, a portion of the students that need help. And so, we are looking for all kinds of options for our parents, and really applaud you for again looking at this kind of situation and we believe that it's something that would probably be good for our students.

I have been working on this a long time, too long, absolutely too long, and the more we get involved, the more I get involved in helping the parents in D.C. as they look for options for their children, the more I realize that many parents are really desperate, I mean really desperate.

I am really tired of going home and not being able to sleep, thinking about a parent that called us and we couldn't find a charter school, we couldn't tell them to call WSF for a scholarship. We just have no solutions for them.

And we really believe, as we go out and talk to parents in the community and parents in this city and even talk to parents all over the country, because you form alliances when you do this kind of work with parents everywhere, we believe it's just getting much worse, and we have to do something to fix it. Thank you.

STATEMENT OF VIRGINIA WALDEN FORD, EXECUTIVE DIRECTOR, D.C. PARENTS FOR SCHOOL CHOICE, WASHINGTON, D.C. – SEE APPENDIX F

Chairman Boehner. Ms. Krishnaiyer?

STATEMENT OF LATHA KRISHNAIYER, CHAIR, LEGISLATION COMMITTEE, NATIONAL PTA, WASHINGTON, D.C. AND MEMBER, FLORIDA PTA

Ms. Krishnaiyer. Thank you. Good afternoon. My name is Latha Krishnaiyer. I come here today as a mother, but also as a representative of the 381,000 members of the Florida PTA, and the 6.5 million members of the National PTA.

I chair National PTA's legislation committee, which implements our legislative program, based on positions that are adopted by our membership.

I would like to thank the committee for the opportunity to address its members on the need to provide options to parents whose children attend schools in need of improvement. The options we want do not involve mechanisms to escape our neighborhood schools. We want to improve them. The best educational option for parents would be a high-quality public school in every neighborhood in America.

I agree that families with children in schools needing improvement deserve solutions. As a child advocate and a member of the PTA, however, my goal is to ensure that a high-quality public education is available to all children.

Therefore, we support reforms that are publicly accountable, and that are designed to help all children, such as class size reduction, professional development, school modernization, parent involvement, and school-based before and after-school programs.

Rather than explore options for abandoning our public schools, I urge this committee to focus on measures such as these, which cost no more, and take no more time to implement than vouchers and tax credits, but will improve all schools and help all children without undermining the accountability that this committee works so hard to implement in the recently enacted Leave No Child Left Behind Act.

The term ``choice" sounds appealing. But, in fact, vouchers and tuition tax credits are a cruel hoax on many parents whose children will not be able to attend the schools they choose. Private schools may deny admission based on any number of criteria. Private school administrators thus enjoy the only real choice, as they get to pick which applicants they will accept.

Enrollment in private school is promoted as a magic bullet for improving student achievement. The data do not support this presumption. There is no solid scientifically based evidence that attendance at voucher schools improves student achievement.

Nor do vouchers improve public schools. A study by the Manhattan Institute claims that Florida's A+ program, which includes the threat of vouchers, spurred remarkable improvement at schools that had been graded as failing. The study, however, did not take into account extra teachers and other resources provided to those schools. Teachers report that these inputs, not the threat of vouchers, made the difference.

In addition to failing to improve student achievement or expand parental options, vouchers suffer a third strike by diverting public funds to private schools, where taxpayers exercise no oversight. They completely undermine accountability.

Voucher proponents claim that parents provide all the accountability that is needed. Parents can vote with their feet and take their voucher money elsewhere. In Florida, we have not found this threat to be any more effective in preventing fraud and mismanagement than it has been in Milwaukee and Cleveland.

The St. Petersburg Times reports that some voucher schools have been charged with physically abusing students, have failed to provide students with textbooks, and cannot maintain staff, perhaps because they pay teachers as little as $10.50 per hour and terminate teachers and administrators who report these abuses.

In addition to vouchers, this committee is considering tuition tax credits. These schemes suffer from the same liabilities as vouchers, in that they fail to improve public schools, while providing no accountability to the public.

Last year, Florida enacted a tax credit for corporations that contribute to private voucher foundations, which will cost the state $50 million, annually. Though a recent report found the program to be revenue-neutral, that conclusion was based on the incorrect assumption that education costs will decline as students transfer from public to private school.

School districts, however, face fixed capital expenses that cannot be reduced merely because a few students transferred to a different system. Indeed, as a result of revenue shortfalls, school districts in Florida have been forced to reduce and eliminate many programs.

Vouchers and tuition tax subsidies divert public funds from public schools, where 90 percent of our children are enrolled, to private schools that are not accountable to the public, and are designed, at best, to help only at least a few students.

Any option that, by design, sacrifices the majority of children for the benefit of a few is economically shortsighted. We cannot renege on our commitment to leave no child behind by adopting such options.

The challenges confronting some public schools are varied and complex, commanding an even greater commitment on the part of parents, community leaders, and elected officials. It is our civic obligation to promote options that will help all children and leave none behind.

The option most parents want is not the opportunity to research every school in their school district, find the one that offers all the best for their child, apply, and hope, in the case of private schools to be accepted, and then arrange transportation to and from that school, which may be across the country from their own home.

The option parents' want is to find that school in their own neighborhood. The solution this committee can offer is the support to improve all schools so parents won't need to find other options that involve abandoning their neighborhood public schools.

If schools need repairs, then renovate them. If classrooms are overcrowded, build new schools and hire more teachers. If the schools lack computers and books, supply them. If teachers need additional training, or families need support services, then schools should provide them.

Use the public schools where there are measurable successes as models for education reform initiatives in poor performing public schools. These are the immediate research-tested proven options that we and millions of other Americans support.

Thank you for your commitment to our children, and for giving me the opportunity to address you.

STATEMENT OF LATHA KRISHNAIYER, CHAIR, LEGISLATION COMMITTEE, NATIONAL PTA, WASHINGTON, D.C. AND MEMBER, FLORIDA PTA – SEE APPENDIX G

Chairman Boehner. Thank you. Mr. Mincberg?

STATEMENT OF ELLIOT M. MINCBERG, VICE PRESIDENT AND LEGAL POLICY DIRECTOR, PEOPLE FOR THE AMERICAN WAY FOUNDATION, WASHINGTON, D.C.

Mr. Mincberg. Thank you, Mr. Chairman, and members of the committee. I am pleased to be here on behalf of People for the American Way Foundation, which continues to work to study and to implement ways to provide equal and effective educational opportunities for all of our children.

As part of that, we have supported methods that truly provide effective public school educational options and opportunities, particularly for low-income students, such as magnet schools, properly run charter schools, and the ESA provision that you mentioned, that provides for transfer to better-performing, I underline that, public schools, in the case of chronically failing schools.

These methods, if properly funded, can help provide quality public education to all kids, with accountability for educational performance and choice by parents and students.

But in contrast, tuition tax credits and their first cousin, vouchers, do not help achieve these objectives. Instead, these schemes do, in fact, drain crucial resources from public school kids. They provide choice primarily to private schools, not parents and students, and create serious problems of accountability.

When voters have been asked to choose, they have overwhelmingly rejected these schemes in favor of strengthening public schools, the same choice made last year by this Congress, and that should be made again this year.

My written testimony talks both about the Cleveland voucher plan, which I will leave to my written testimony for now, and the Arizona tax credit plan, which I will discuss for a few moments now.

When Arizona passed their tuition tax credit law, it was hailed as a model for improving public education and providing choice for low-income parents to transfer out of failing public schools.

In fact, a study that we did, and studies by Arizona State University demonstrate that that's not the case, that instead, it's a model for seriously undermining public education, particularly for poor children.

A couple of the key findings; first, over a three-year period, the Arizona schemes cost more than $74 million, and that money went largely to subsidize education for middle and upper-income families, not to low-income kids in public schools.

You will hear from Mrs. Keegan other study results that she likes better, but I will ask you, if you have any question, to look at what a spokeswoman for the Arizona governor said not too long ago, ``It is mostly middle income families whose kids already are in private schools are taking advantage of the program," she said, ``not the poor kids supporters claim that it would help."

Second, both the studies demonstrate why the tax credit law doesn't provide actual choice for low-income kids. The average tuition grant covers only between one-quarter and one-fifth the cost of tuition at private schools, and do nothing to overcome barriers such as transportation costs, additional fees, admission exams, and other requirements. In large measure, in Arizona, it's the private schools that are doing the choosing, not the kids and parents.

Third, there is no accountability for how publicly subsidized dollars are spent in the Arizona tax credit system. As we mentioned, in public schools with low-income kids, if they're not performing adequately, a transfer may occur in three years, but only to a better-performing public school.

There is no requirement that these tax credit schools be better performing. Indeed, there are no requirements even to administer state exams, release financial statements, or even report academic achievement information to parents and the public.

In addition, private schools don't have to follow a number of civil rights laws that prohibit discrimination, for example, based on religion or gender.

Now, to avoid claims that the law helps only private schools, Arizona allows for a tax credit for extra-curricular activities at public schools. But in practice, this also has helped middle income and wealthy parents in schools, not poor schools, to the tune of five times as much resources going to the former.

School officials report that wealthy Arizona parents have used the tax credit to recover cost of field trips to New York for cheerleading camp. A news report stated that Mrs. Keegan had used

$200 to subsidize a $300 trip that her son took to Catalina Island.

Now, she had every right to do that, under the tax credit law, but that's not the way to improve education for low-income kids.

But finally, Arizona's public schools, particularly those serving poor children, are desperately short of resources. Arizona was rated dead last in a key measure of school funding adequacy. That $74 million could go a long way towards solving some of those problems. Money alone is not the solution. But without it, public schools cannot operate adequately.

It's important to keep in mind the public verdict on tax credit and voucher schemes. Since 1972, there have been 12 attempts to pass such legislation. Every single one, including in Colorado, just a few years ago, in Michigan just before that, were resoundingly defeated by the American electorate, more than 60 percent of votes.

Take, for example, in Michigan and California in 2000, where minority voters against whom, to whom these proposals were directed, defeated vouchers by percentages of 77 to 23, or in Detroit, 82 percent rejected this idea. Voters understand what makes sense in this regard.

Both these kinds of proposals divert precious funds needed to strengthen public education. This congress did, as you pointed out, Mr. Chairman, pass landmark education legislation that can truly make a difference for all our students, if it's adequately funded.

We have already heard reports that it's not being adequately funded. There are significant cuts in the education budget. In fact, the options in the current law haven't even had a chance to work yet, because they wouldn't be triggered for two or three years yet.

Before we start throwing money away on more tax credit schemes, let's fund the proposals that Congress adopted. Let's make sure there is a chance to make sure those options work effectively, and let's reject, as the voters have done, tax credit and voucher schemes. Thank you.

STATEMENT OF ELLIOT M. MINCBERG, VICE PRESIDENT AND LEGAL POLICY DIRECTOR, PEOPLE FOR THE AMERICAN WAY FOUNDATION, WASHINGTON, D.C. – SEE APPENDIX H

Chairman Boehner. Well, Ms. Keegan, it's your turn.

STATEMENT OF LISA GRAHAM KEEGAN, CHIEF EXECUTIVE OFFICER, EDUCATION LEADERS COUNCIL, WASHINGTON, D.C.

Ms. Keegan. Good, that's good. Thanks, Elliot, that was charming.

Mr. Mincberg. Just wanted to give you an introduction.

Ms. Keegan. Yes, very nice. Mr. Chairman and members, I appreciate being here. My name is Lisa Keegan; I'm the CEO of the Education Leaders Council.

The Education Leaders Council is an organization of state level education policy-makers, either state school, people in governors' offices, state board members, who believe that children learn because they are taught well, period, and that our job, as education policy makers needs to be that we provide places for children to learn well, period, and that we not concern ourselves so much with who owns the school, but rather whether the education that a child receives is exceptional. That should be our only job.

Choice for parents is not something that the government can give; it is something that they have. It is simply discriminated against when a person cannot afford to pay for it. Choice is a part of our system. Competition is not a risky scheme.

I believe Adam Smith wrote about it some 200-and-some-odd years ago, and it's been working for us quite nicely ever since. We will not be through with reforms in education until parents have realized the choice that already belongs to them in every sector of this country.

I feel great compassion for Virginia to go to work every day and talk to families who can't have their children in schools that they don't want. There are lovely neighborhood schools all over the place. Some of them are private. And I am happy to have children in those schools, as well.

The Leaders Council believes it is absolutely imperative that we find ways for children today to get into schools that work for them.

In Arizona, I had the opportunity to work on school choice in a number of ways, one of which is a tuition tax credit, primarily to scholarship tuition organizations.

I would recommend the Arizona study to you as a good editorial piece; it is not a good study of what actually happens in Arizona. It assumes that families who send their children to private schools, it is assumptive in that it puts them in middle and high-income categories.

Those of you who know studies about private education know most families who attend private schools, at least in Arizona and the southwest, are in parochial and low-cost schools, so that's a false assumption. What it has done, for sure, in Arizona, is to give more opportunities to families who did not have that choice before.

As for my sending my child to Catalina Island, that's a lovely sort of class distinction there, Mr. Mincberg, the fact of the matter is, just be blunt about it, I could send him to Catalina Island this afternoon, if I felt like it, that's just my life. Lots of people in this room maybe could not.

He goes to a public school. The public schools, the portion of the tax credit bill Arizona passed, felt very strongly that we not allow that money to go into their regular classroom budgets, because it would skew how much money they could get. So they insisted that it could be applied only to extra-curricular activities. Therefore, that's how we apply it.

So, I have very little choice, as a parent. The extra-curricular activity happened to be going to the marine center in Catalina Island, which is a wonderful thing to do. I am happy I've been able to send my child there.

The fact is, most parents don't have that level of choice, and we need to deal with it. If that's objectionable, then I would suggest that the president's bill is better than what's going on in Arizona, it's a direct benefit to families; it's reimbursable.

Congressman Schaffer is also working on a very good piece of legislation. Arizona started with a tuition tax credit; other states will improve on it. This idea will get better and better.

The fact of the matter is our presumption at the Leaders Council is whatever causes money to follow children into schools that work for them is a great idea. The courts upheld tuition tax credits in Arizona because there is no connection between the state and the parent.

I happen to believe that the court would ultimately uphold any sort of voucher, because it is a parent who makes the decision where their children will go to school. Mr. Christopher is deciding where Joshua and his lovely brother will go to school, the state does not determine where those children will go to school, nor could the, nor should they.

Nor should the state be the one that says that the amount of money that we allocate for the education of your child may only be used in schools that we specify. I believe that's wrong. The Education Leaders Council believes that it's wrong. Tuition tax credits are a small way to continue.

We are happy to work on No Child Left Behind, and congratulate your work on that. But we are not done until choice is a part of this system. Accountability in testing, et cetera is a good accountability, and it is a forced accountability. Natural accountability comes from a parent's ability to choose the school that works for their child.

And natural choice also brings innovations for teachers. There is no choice right now in this system for a teacher to bring their skills to the marketplace.

All that will make that happen is to open up a whole new market in another sector, in addition to the public schools that we have right now, so that teachers can bring their skills to the marketplace, and parents can avail themselves of those opportunities.

We hope you will give it close consideration; it is working well in many states. We endorse the idea wholeheartedly. Thank you, Mr. Chairman.

STATEMENT OF LISA GRAHAM KEEGAN, CHIEF EXECUTIVE OFFICER, EDUCATION LEADERS COUNCIL, WASHINGTON, D.C. – SEE APPENDIX I

Chairman Boehner. Well, we have the classic debate under way between saving the school and saving the child or, as we would all like to say, or like to believe, we would like to do both.

But while we're doing both, and especially trying to improve public schools and save public schools, make sure all public schools are doing a good job, Mr. Mincberg, what do we say to those families today, who are stuck in a school that does not impart knowledge to them, who have no income, they can't move with their feet, they can't go anywhere? What do we say to those parents and to those children whose lives are being ruined because they have no safety valve?

Mr. Mincberg. Well, Mr. Chairman, I would say a couple of things. First of all, I would never dispute the ability of a parent to do what they can individually on behalf of their child. If Joshua and his grandfather want to apply for an ACE scholarship and get one, they have every right to do that. And as a private organization, it has every right to provide it.

But with respect to what government ought to do with public schools, it's critical that, as the bill says, that no child be left behind. And that's why what we need to do is to put things into operation which can work, and provide results not four years from now, not five years from now, but right now in our public schools.

Under the law that you passed, public schools that are not performing well have only three years to get their act together before some of these other options kick In and I have no problem with that, I think it makes sense. And we've seen the districts around the country, that there are things that can be done right now to get results.

For example, in Milwaukee, where the voucher program is often credited for public school improvement, in fact, what's improved the public schools there is something called the SAGE program, which reduces class sizes in the elementary grades to 15 to 1 or below.

Well, let me just finish one thing, Mr. Chairman. And doesn't work in four years or five years, but literally within one year have been proven to dramatically improve educational performance.

Chairman Boehner. That's all very nice and good, but what do you say to Ms. Ford's parents that call her, whose child is locked up in a rotten school?

Mr. Mincberg. Again, I say the two things that I have said. Number one, if they want to pursue options they can get for private scholarship organizations, I would never tell them not to, that is their individual choice.

But number two; I don't want the public to be using its precious tax dollars in a way that supposedly might benefit those kids. In fact, it's likely not to, because it will be the private schools that do the choosing, not the kids, to the sacrifice of making that public school work for all the kids that are there.

And that can be done not in three years, not in five years, but quickly, if we would make public schools accountable.

Chairman Boehner. Well, Ms. Ford, what do you think about what Mr. Mincberg has to say?

Ms. Ford. Well, one of the things, our parents in D.C. have been told many, many times that the schools are going to be improved. We've gone through several superintendents in several years that always come in with their own plans.

We're talking about right now, what can we say to parents? The scholarship programs are not able, because of their funding situations, to take on scores of kids. The charter schools are doing the best they can, but we have to make everything available to these children.

And what I'd like to say is we have 15,000 children in charter schools that have left traditional public schools. That says a lot for what traditional public education is doing here in Washington. It is not working for the children. And in the worst areas, the most depressed areas of Washington, D.C., those parents are getting nothing.

And it would take a lot to turn those schools around. I mean a lot. So, we have to do what we can now to make sure while those schools are being turned around, which I believe will take a lot of years, to offer everything we can to those parents, tax credits, vouchers, whatever we can, to get them out of those schools.

They are very, very desperate. And you know, one of the things that I think about every once in a while, and I think, Mr. Chairman, you and I talked about it one time, nobody sees the faces of these parents. We do. I was one, you know.

And I've felt like, as a single parent raising children in D.C., I didn't have any options. I was working two jobs, and I couldn't afford to send my child to private school. I couldn't work three jobs; there weren't enough hours in the day. I would have if I could have.

And getting a scholarship for us, for our family, was an incredible thing, you know. And when I look at William, my child, and I've talked about William for a long time, when I look at him even now, and he's an adult in the military and out of school now, but when I look at him, I have flashbacks of what could have become of him if we had not had the scholarship.

And that's what parents in D.C. are dealing with right now. What is going to become of my child while D.C. is lollygagging around trying to fix the schools? What are our children going to do right now? That's the problem.

Chairman Boehner. Mr. Kildee?

Mr. Kildee. Thank you, Mr. Chairman. Mr. Mincberg, the No Child Left Behind Act, written by this committee and signed into law by President Bush, calls for new public accountability measures for public schools.

Is there public accountability for public schools in a voucher program?

Mr. Mincberg. Very little, Mr. Kildee. It depends, of course, on the specific program, but there is extremely little.

And in fact, tax credits are even worse because what typically happens in a tax credit situation is, pretty much anything goes. The schools can exercise their own discretion in tax credit programs as to whether they want to take kids or not, which means the kids who most need the kind of help that Ms. Ford is talking about are not going to be admitted by a lot of private schools, and there is absolutely no way to measure the accountability for what are, in essence, the public dollars that are going to support those private schools in most of those programs.

Mr. Kildee. Is there a significant difference in the lack of accountability in Milwaukee and, say, Cleveland?

Mr. Mincberg. You mean between those two programs?

Mr. Kildee. Yes. Yes, right.

Mr. Mincberg. There are a few differences, sort of at the margins. But mostly, they are similar in not having much accountability. In fact, there is a proposal right now in the Wisconsin legislature that has been approved by the senate to try to impose on Milwaukee voucher schools the same accountability requirements that exist for other publicly funded schools. And you would not be surprised to learn that voucher supporters are resisting that tooth and nail.

Mr. Kildee. What's the current state of affairs in the court concerning vouchers?

Mr. Mincberg. There is right now, pending in the United States Supreme Court, a case on the constitutionality of the Cleveland program, which is expected to be decided, probably, by this June.

That will perhaps, and we don't know for sure, no one likes to predict the Supreme Court, resolve some of the federal constitutional issues. It will leave unresolved state constitutional issues.

For example, in Florida, the lawsuit that we're involved in there focuses on the church/state provisions of the Florida constitution, which would continue, regardless of how the Supreme Court rules in the Cleveland case.

Mr. Kildee. What is the similarity, or dissimilarity, between vouchers and tax credits? Would the court accept a distinction between the two?

Mr. Mincberg. Well, the court, in an earlier case, has said that tax credit and deduction programs, if they provide for benefits to both public and private schools, can be constructed in a way that's constitutional. That was a case out of Minnesota.

The issue with respect to vouchers is are they more like tax credits, or are they more like money that is funded and funneled primarily to religious schools.

There are hazards, though. It's quite possible to put together a tax credit program that directs its funding almost exclusively to private and religious schools and in that case, I would think that there would be serious constitutional, as well as policy, problems.

Mr. Kildee. Thank you, Mr. Chairman.

Chairman Boehner. Thank you. Mr. Reed, what is a ``public dollar?" Mr. Mincberg keeps talking about ``public dollars." If I haul out my wallet, how much of that is, by definition, ``public dollars?" Is it defined somewhere?

Mr. Reed. Public dollars is a phrase that's used differently to mean different things by different people. And by some, it's thought to be dollars that belong to the government.

But to most of the rest of us, these are dollars that originated in the pockets of people who earned them and have some entitlement to how they're disposed of when they send it to government.

Chairman Boehner. In the state of Michigan, what are we appropriating per year for public education on a per student basis?

Mr. Reed. On a per-student basis, right now, the state foundation grant allowance?

Chairman Boehner. Yes, the foundation.

Mr. Reed. Appropriation spending is about $6,700.

Chairman Boehner. And so, if we did a federal tax credit, the federal tax credit would enhance the educational pie, correct, as you talked about?

Mr. Reed. Sure. That's right. It would enhance the educational pie, especially if it is allowed for contributions to scholarship funds in private schools and for contributions to public schools, yes.

As we've talked with a lot of our public school folks, it is rather attractive. It actually provides them the opportunity to recoup some money into their public schools that would not have strings attached, that typically are attached if they get money from Lansing or Washington.

There are very few discretionary funds coming into a school, a public school in Michigan.

Chairman Boehner. Ms. Krishnaiyer?

Ms. Krishnaiyer. Yes.

Chairman Boehner. Thank you. What is your objection to the opportunity of a public school being able to take advantage of a tax credit proposal that the public school could use for not only extra-curricular activities, but for educational enrichment, and allow the public school and the local school district to say, you know, ``We really want to upgrade our technological capabilities, our computer labs."

In a state like Michigan, there no longer is the opportunity for a state, or a local school district, to increase its operating mileage. Would you be opposed to allowing a public school to benefit from a tax credit that could be used for operational expenses?

Ms. Krishnaiyer. No, not if it's a public school, because, you know, we believe that public schools are where 90 percent of our children are educated, and that's where the tax dollars belong. And public schools, we don't object to public schools or transfer to public schools.

Chairman Boehner. But you would object to if the same tax credit type of proposal, where 90 percent of the public constituency would have the opportunity, because that's where their kids go, to invest in public schools, you would be opposed to Ms. Ford or Mr. Christopher having that same opportunity to provide $500 to help someone like Joshua attend school?

Ms. Krishnaiyer. We want every parent to have the opportunity to send his or her child to the best educational setting. Parents send their children to school expecting the best.

Chairman Boehner. But you would support an education tax credit that would allow you to make a donation to your local public school, and for Ms. Ford to have the opportunity to contribute some money to a local public school, or to contribute to a scholarship fund?

Ms. Krishnaiyer. Could you repeat that?

Chairman Boehner. You talked about the right of a parent, every parent, to send their child to a choice of, you know, where they choose.

So if you had an opportunity to invest a $500 tax credit to your local public school, that they could enhance their computers, they could enhance their curriculum, or some other teaching materials, and at the same time allow Ms. Ford or Mr. Christopher, or Mr. Reed, or maybe even Mr. Mincberg to make a different decision.

Mr. Mincberg. Probably not.

Chairman Boehner. I didn't ask you, Mr. Mincberg, but thank you for the editorial comment.

But you know, would you allow them to make the same decision?

Ms. Krishnaiyer. The same decision to go to a private school?

Chairman Boehner. No, to send it to a scholarship fund, or to send it to another school.

Ms. Krishnaiyer. No.

Chairman Boehner. Would you be in favor of, if we increase the educational pie, the investment in education, to say the new, additional investment in education can go to any educational opportunity out there, would you restrict it?

Ms. Krishnaiyer. No. If there is an investment in education, we believe very strongly that it should go into the public school system.

Chairman Boehner. It should only go into public schools.

Ms. Krishnaiyer. It should go into the public schools.

Chairman Boehner. Only to public schools? All right, good.

Ms. Keegan, in Arizona, you increased the educational investment, is that correct, with the tax credit plan?

Ms. Keegan. That's correct. These were dollars that didn't exist in public education before.

Chairman Boehner. And didn't exist in education. They were being invested in other places, and hearings that we've had in Arizona indicated that when people had the option to invest money into their local public schools, rather than running it through your capital and coming back into your local public school with certain strings attached to it.

Ms. Keegan. Right.

Chairman Boehner. Or, that they could invest in a student scholarship fund, they increase their investment in education. Is that correct?

Ms. Keegan. That's correct. And so did the state.

Chairman Boehner. I mean, that is really what this is about, is it's about whether we are willing to increase the educational investment in America today, and whether we are going to run it through bureaucracies, or whether we are going to allow this, what is really, in many cases, a small additional investment in education.

And heaven forbid that we might allow parents to direct some of the new spending in education for their own kids, or their kids in the community. That is a scary thought. I'm really kind of amazed, Mr. Reed and Ms. Ford, especially you, here in Washington, D.C., that you would support parents and the community actually directing some of their own money, rather than running it through us here, or your school board.

Ms. Ford. I know, scary.

Chairman Boehner. I am nervous now. We had better go on to Mr. Scott. It's good to see you.

Mr. Scott. It's good to see you, Mr. Chairman. You know, there are actually some things that we can do as a nation. Virginia calls itself a commonwealth, and public education is one of those that you don't do it with everybody contributing to what they want, to where they want. We have a public education system, and that's where our focus of public money ought to go.

Ms. Keegan, you mentioned parochial and other low-cost schools. Are those low-cost tuition because they're subsidized by churches, or endowments, or foundations?

Ms. Keegan. All three, Mr. Chairman and Mr. Scott, that's correct. In Arizona, the three biggest recipients would be the Catholic Diocese, the Arizona School Choice Trust, which is non-denominational, and then the Jewish Committee.

Mr. Scott. Well, the point I'm making is when you talk about low tuition; we're not talking about low cost. So, if we have another 1,000, 10,000, 100,000 students trying to get into a private school, they've got to go find some foundation or religious organization to underwrite a substantial portion of that education in order to get this low-cost education.

If we're talking about all these people trying to get a private education, we ought to talk about the cost of education. Some can get it with scholarships and foundations, and everything else.

One thing that we have suggested, people actually have the choice. Ms. Krishnaiyer, you indicated that this was some kind of an illusion. How many public school students in bad schools could actually stroke a check for the cost of their education, even with a 50 percent tax credit?

Ms. Krishnaiyer. I can't give you statistics, but I believe you are asking me if I know how many.

Mr. Scott. Well, I mean, you're representing parents and students of people in public schools.

Ms. Krishnaiyer. Right.

Mr. Scott. Even if you get a 50 percent tax credit, how many of them could afford $20,000 tuition to go to the school of their choice?

Ms. Krishnaiyer. No, definitely not.

Mr. Scott. How many of them can find a foundation to bankroll the rest of their education?

Ms. Krishnaiyer. Well, it wouldn't be their choice. As we have always maintained, it would be the choice of the school.

But secondly, every parent that I talk to wants to see his or her public school improved. And if they are given a choice, their choice is the public school in their neighborhood, and they want that public school to be the best it can be, and that would be their choice.

Mr. Scott. Mr. Mincberg, you've done research on these. Anybody at a bad school, given a real choice, would leave the school. They ought to have not 5 or 10 percent leaving; they ought to have 100 percent leaving the schools.

When these programs are put into effect, how many people actually can leave and have somewhere to go that's better than where they find themselves?

Mr. Mincberg. Well, if, as you suggest, Mr. Scott, the criterion was everybody ought to want to leave who is in one of these bad schools, there must be something wrong, because only a very small percentage, even in places like Milwaukee and Cleveland, have left, which is one of the reasons why those programs wind up subsidizing people that already are in private schools, in large measure, rather than the alleged benefit of transferring people from public schools to private schools.

Mr. Scott. Well, when we spend all this money, there is, as you mentioned the Arizona study a concept called ``target efficiency." Are you familiar with that term?

Mr. Mincberg. I am. And it's a concept that talks about the question of what percentage are likely to be moving from one school to the next, as opposed to, again, having their education at their existing private school already subsidized.

Mr. Scott. That would be those at a private school already, and get a tuition subsidy, that would not be affected. If you were spending this money in order to get people from the public to the private schools, you count the people that actually moved.

What kind of numbers are we talking about? How many people would actually switch from a public school to a private school, as a result of the Arizona program?

Mr. Mincberg. Well, again, it's very difficult to come up with those exact numbers.

Mr. Scott. Did the study show something like 5 to 15 percent?

Mr. Mincberg. In Arizona, it was estimated that the number would be somewhere between 5 and 15 percent.

Mr. Scott. So that at least 85 to 95 percent of the people that get these credits would have been in private school, anyway, and everybody else that's left behind will still be left behind.

Mr. Mincberg. That's exactly right, Mr. Scott.

Mr. Scott. Thank you, Mr. Chairman.

Chairman Boehner. Thanks. Joshua, are you having a good time? Would you rather be playing catch with a football? Yes?

You know, it's all about you. You know that? All these people are talking about you. You know that? About whether, you have, and your friends will have, an opportunity to go to the kinds of schools that you would like to, and whether you will be able to keep going. Do you like where you go to school today?

Joshua Holloway. Yes.

Chairman Boehner. Yes. This is about whether, you know, it will be possible for you to keep going to schools like that. So, it's important. And I can tell you that, you know, Mr. Scott and myself, we're not always that exciting. But if you listen to this next guy, he is fun. All right? With that, I yield to Mr. Schaffer.

Mr. Schaffer. The pressure is on now. I do appreciate you focusing on Joshua there for a minute, because you're exactly right.

And just in terms of the one of the debate, I think, you know, these lines of distinction are probably unnecessary with respect to this debate, and I think we really get into the details of how tax credits have worked around the country.

You know, Arizona, I happen to believe, is a good model, and I think that's borne out by a number of studies on the state. But it's not the only example; there are others, as well, Pennsylvania, Florida, and a handful of others that have moved forward.

And I think when you look at the history of this legislation in several states, you find out this is not a partisan distinction that separates Republicans and Democrats.

In fact, if you look at my state right now, where this debate is taking place in the House of Representatives, the tax credit proposal that Mr. Christopher is here to discuss is sponsored by a Republican in the House and a pretty liberal Democratic over on the Senate side, because they have managed to keep the focus on guys just like Joshua, rather than who wins or loses, politically, or which institution happens to be able to hire more teachers or buy more equipment, versus the other. I think we've resolved in our state but of course, the outcome of that vote still needs to take place in the legislature. We really have to move beyond this debate about the relationship between institutions, and start focusing on the relationship between our children, and that tends to draw people together.

And I really think we have that opportunity to do that here, on both sides of the aisle. Because, quite frankly, the states have shown us, even those states that haven't passed tax credit legislation, but still introduced and debated it, have really shown us that we can create a tax credit bill that is valuable for the parents represented here, and grandparents, and also for those who propose to improve government-owned schools, as well. And I think we can accomplish both of those.

Having said that, the reason I am interested in tax credit legislation is because it is very, very different than a voucher. And I would take issue, and certain exception, with the suggestion that, and I'll just speak to my state because I represent it, that Colorado, the voters have somehow rejected tax credits. We have not even had tax credits on our state ballot. And to confuse them with vouchers is really a statement of misunderstanding. I think we ought to be clear on that. This is not an effort of government handing out cash with strings attached, as a voucher would be.

This is something very different, which entails parents making choices, and corporations in many cases, on where to invest their dollars with the affirmation by government that massive cash investments in education is a good idea, and should be encouraged, not discouraged.

So, my interest is to try to find some way to inspire, as states have done, a massive cash infusion in education, period, without placing so much emphasis, as Mr. Mincberg and Mr. Krishnaiyer are discriminating, between Ms. Ford's preferences and your preferences. I think we could find a way to do this across the board, where all parents can be the victors in the end, and their children can succeed. That's my goal. I really believe we can accomplish that.

Having said that, we do have a long history in America of recognizing certain private investments at the federal level, through our tax code, and either encouraging them or discouraging them. And so let me ask Mr. Mincberg this question.

If I donate money to St. Joseph's Elementary School in Fort Collins, and my children don't go to school there, I receive a tax deduction. Are you opposed to that, or do you favor that?

Mr. Mincberg. In terms of charitable tax deductions that apply to all charities, that's existed in the code for a long time.

Mr. Schaffer. Do you support the deduction that I would give to the Catholic school?

Mr. Mincberg. We certainly would not oppose it. That's very different, for example, than the tax credit proposal.

Mr. Schaffer. I know, I'm just asking.

Mr. Mincberg. That was defeated by voters.

Mr. Schaffer. Do you support or oppose the deduction that I get for contributing to Catholic schools?

Mr. Mincberg. We do not oppose tax deductions that are equally available for all charitable groups.

Mr. Schaffer. Okay. Both of you also indicated, made the suggestion, that a tax credit somehow denies funds from public schools. Let me ask Ms. Keegan, how much did the budget for public education in Arizona drop when Arizona introduced its tax credit plan?

Ms. Keegan. Not only did the budget not drop, Mr. Chairman and Mr. Schaffer, it's been continuously increased, and the public's confidence in education is up, and they have passed additional taxes to support education.

Mr. Schaffer. Let me ask Ms. Krishnaiyer, how much did the funding, the state funding for Florida's schools, drop as a result of the example in Florida that you disparaged here today?

Ms. Krishnaiyer. Just like every other state, there have been cutbacks as of December. The legislature went back into session and cut education back. Out of that, there were $50 million that were given as tax credits to private corporations. Those $50 million could have been applied to those cuts, minimizing the cuts to public education.

So we view those as a $50 million cut for public education.

Mr. Schaffer. I see the red light is on; corporations in Florida also receive tax credits for investments in research and development. Not schools, not other education, but other tax credits for just running their companies, makes certain capital investments, research. Do you oppose those, as well, or only the tax credits they get for investments in education?

Ms. Krishnaiyer. As a PTA, we don't involve ourselves with tax credits that deal with anything other than educational issues.

Mr. Schaffer. Okay, well, that's fair, because what it suggests is that your focus is not on the reduction of funds to the state, your focus is, instead, on the additional funds that are injected in the education system for non-government schools.

Ms. Krishnaiyer. If I could finish, I believe business has a real stake in public schools, or any school, producing students that they need for their workplace.

As such, I would encourage businesses to donate these funds without looking for tax credits. I think it behooves business to make an investment in education by contributing these funds. And that's the way we view it.

Mr. Schaffer. Thank you, Mr. Chairman.

Chairman Boehner. Ms. Woolsey?

Ms. Woolsey. Thank you, Mr. Chairman. And I would like to thank the panel.

I have a letter that I don't think has been entered into the record, and I would like unanimous consent to enter the National Coalition of Public Education letter into our record.

Chairman Boehner. Without objection, so ordered.

LETTER FROM THE NATIONAL COALITION FOR PUBLIC EDUCATION, SUBMITTED FOR THE RECORD BY REPRESENTATIVE LYNN WOOLSEY, COMMITTEE ON EDUCATION AND THE WORKFORCE, WASHINGTON, D.C. – SEE APPENDIX J

Ms. Woolsey. That lists 35 organizations, teachers groups, parent groups, school boards, the National School Board Association, National PTA, but the school board association elected by the people in their districts, church groups, and they seem to understand what is really obvious, and that is that the backbone of this nation is our education system. And the backbone of our education system is our public school system.

Joshua, you are the future of our country, you are, your brother is, your friends, young boys and girls that you are going to school with and that live in your neighborhood. There is no reason on earth that every single school in this country should not be as good as the schools that people are choosing to go to because of religious or other reasons.

And that's what these groups, this list of 35 organizations is saying to us. They are saying, ``make our public school system the best in the world." And the only way we can do that is invest in it.

So, we talk about funding. Somebody said, ``you just can't", everybody keeps saying this ``you can't pour money into the system, it's not going to make it any better." You can take money out of the system that will destroy it. And yes, you can put more money into the system.

We passed the Leave No Child Behind Act, and the president's budget is not funding it. So what good is it to pass an act that will leave no child behind and not fund it? That's just all words. And so, what I would like to know, I would like to ask a couple of questions.

Mr. Mincberg, what would you do if we truly funded education? Where would we go first, and how would you, what would we do that would truly leave no child behind?

Mr. Mincberg. Well, I would, Representative Woolsey, first fund the priorities that were identified, and were supposed to have been funded, according to last year's budget, which focus primarily on low-income, low-achieving schools.

I would focus particularly on those kinds of schools, on the kind of significant class size and school size reduction programs that are proving to be so successful in Tennessee, Wisconsin, and a number of other states that make those schools even better, frankly, than some of the private schools to which you refer. Many of those schools, of course, are not as effective as they're trumped up to be.

I would invest in teacher training, which, again, was something that was in the budget last year, but it's being cut by President Bush's proposed budget this year. And I would invest in facilities, which need to be improved in many of our public schools, but are not.

When we, instead, provide for tax credits, that's essentially what economists call tax expenditure. That is money that otherwise could have been spent on those kinds of priorities.

Ms. Woolsey. So, I would like to ask Ms. Krishnaiyer, what would you do with that money?

Ms. Krishnaiyer. I agree. One of the things that we found in Florida is, as I stated, that it was resources that were put into the schools that were identified as not meeting the standards that improved the performance of those schools. That is where the resources should be directed.

Parents need all the support that they can get. If we invest in these schools, that's what parents want to see. They want the investment in their schools that will turn that school around. And these schools can be, they need to take three or four years to turn around. You address the problems they have, identify the problems that they have, and the parents are asking, ``Just take action, and we will help you take action along with it."

Parents want to be involved in these schools to make those changes happen, and those changes can happen relatively quickly. And I believe that's where those resources should be directed.

And again, teacher training is a large piece of that. And in coming from Florida, and coming from south Florida, Broward County, which is the fastest growing county in the state, we have schools that are so vastly overcrowded with no room to put any more, or to build, that that would be another thing that resources need to be directed towards, maintenance and renovation of schools, as well as to build new schools.

Ms. Woolsey. Okay. Thank you very much. Thank you, Mr. Chairman.

Chairman Boehner. Thank you. Mr. Isakson?

Mr. Isakson. Thank you, Mr. Chairman. Joshua, Joshua. Up here, way over here, in the end zone, down here. Okay. I have a real honor, Joshua; I have a question for you. And it was going to be asked by Congressman Tom Osborne, who was the national championship coach of the Nebraska Cornhuskers. So I'm a poor substitute for him, but he had to go. Why did you write your essay?

Joshua Holloway. I wrote it so I could get some money so I could have a good education. There is money for my education so I can go to college and high school.

Mr. Isakson. Very good. Thank you very much. And I will relay that to the coach, okay?

Joshua Holloway. Yes.

Mr. Isakson. Ms. Krishnaiyer, I respect the position that you represent, and the organization you represent. In fact, I'm a life member of the PTA. I went to public school, and sent all my children to public school.

I don't know where I am on the political spectrum, but I'm probably at the 50-yard line between Mr. Schaffer and Mr. Scott, but I do have to ask you a question.

On the, and just to use a Joshua analogy, if I could use the tax credit program that would generate investment in either public or private school, in my mind, is totally consistent, constitutionally. It creates additional investment in either/or, it does give choices; it gives opportunities, in some cases, in certain cases, for children that really need an alternative.

I wonder if the PTA, and I am saying this as a dues-paying member, so I'm not picking on you, sometimes we go too far in our reaction to ideas to enrich education for children that we lose our perspective.

Do you think that just there is absolutely no program whatsoever which offers a choice is exactly the right way to go, or don't you think there should be some room?

Ms. Krishnaiyer. We respect the opinions of our members. We are in our schools every day. I personally am in the schools every day, talking to the parents at those schools. And those are the positions that we reflect.

And what our parents say to us is they want to see their schools improved. And that is the choice that they want. They personally would, and you know, to reply to Mr. Scott, in Florida, our two voucher schools, the two that were identified as voucher schools, very few students left them. There were a handful of students that left to go to private school at that time.

And any tax credit proposal, our position, and particularly in Florida, and I can speak for Florida at this time, is that all of the Florida tax structure needs definite reform. There are way too many loopholes in the Florida tax structure that is not bringing an investment back into Florida, or in to the citizens of Florida.

So, to answer your question, at this time, we don't see any proposals before us that we can support which gives us this option. We prefer, you know, all of the investment going into public schools. We have not seen one that we like, as yet.

Mr. Isakson. Ms. Keegan, as I understand it, with the Arizona program, the tax credit is for investment in public or private, is that correct?

Ms. Keegan. Mr. Chairman and Mr. Isakson, that's correct. There are two different credits that you can take, up to $625 for scholarship tuition organizations, but those may not benefit your own child, they have to go to a neutral organization, and then up to $275 for extra-curricular additional activities in the public schools, because, of course, tuition is already paid there.

Mr. Isakson. Well, just for the record, I spent so much time in the PTA raising money, getting Coca Cola to put up scoreboards and paying us money in return, and all this kind of stuff, and public education is consistently doing that, a good tax credit policy can be good public policy that attracts money into the education of kids, just like we do it otherwise today.

And I'm running out of time, and I've have to get to the gentleman from People for the American Way, Mr. Mincberg. Is it fair to say that the budget is cutting the funding for education? You made a reference in your remark. You tell me where it's cutting, where the president is cutting funding for education.

Mr. Mincberg. Well, what's happened is that_

Mr. Isakson. No, no, no, no. I want you to tell me where the President is cutting funding for education.

Mr. Mincberg. Well, I can give you a specific analysis that's been done that shows that certain programs that were at level X are now at level X minus something, a number of ESEA programs, with respect to teacher quality improvement and after-school programs, and a number of others, have, in fact, been cut.

My concern with respect to a tax credit is that when you give a tax credit, you're essentially foregoing money from the treasury that otherwise could have been used to fund some of those programs.

Mr. Isakson. But that's a very broad; can I have a couple of seconds, Mr. Chairman?

Chairman Boehner. Absolutely.

Mr. Isakson. I really appreciate, and in fairness to you and me on this whole issue, we had a terrible situation with school lunches a number of years ago where cuts something was getting cut when, in fact, the program was getting enhanced, it's just the rate was not going up as much.

And so, for my benefit, sir, and I'd love to talk to you about that, because I think what you'll find is by combining allowable uses of a number of programs, the opportunity for schools to have more flexibility might result in less being spent on one program and more being spent on another.

But that does not mean that the President of the United States has reduced money for education. The fact of the matter is, we made a significant increase in the fiscal year 2002 budget. The rate of increase this year is significantly less, as a matter of fact, than the rate of increase last year. But the rate of increase last year was 25 percent, the largest increase in the history of public education.

So when we're making those arguments, and the voucher argument is a different argument, to me, from the tax credit argument, I might add, but let's make sure that we're comparing apples to apples, and not castigating what has, in fact, been a significant effort to enhance and enrich public education by the administration.

Mr. Mincberg. And that's a fair point, congressman. Again, what I am referring to are cuts versus what had been agreed to in the funding of the No Child Left Behind Act, and cuts of particular programs. But I understand your position on that.

Mr. Isakson. That's a much fairer statement. Thank you.

Chairman Boehner. Just for the record, in 1996, the Department of Education spending was $23 billion. In 1997, it was $26.6 billion. In 1998, it was $29.9 billion. In 1999, it was $33.5 billion. In 2000, it was $35.6 billion. In 2001, it was only marginally increased to $42.1 billion. You know, this goes off of what you said, Mr. Reed.

Ms. Woolsey. Mr. Chairman, will you yield, just for a comment?

Chairman Boehner. Yes, yes.

Ms. Woolsey. Since I actually brought this up, we passed the Leave No Child Behind Act and we said that one of the main thrusts is to ensure that schools that are not performing, once we've decided these are non-performing schools, we are going to help them.

We have not added the amount of funds that it will take to take those non-performing schools, once we've gone through the studies, and bring them up to par. We haven't even come close to it. And that was part of what we voted on, as authorizers.

Chairman Boehner. And that's authorizing.

Ms. Woolsey. It's not in the budget; it's not in the president's budget.

Chairman Boehner. Reclaiming my time, we're going to go through the appropriations process. And having been here, and I think you and I came at the same time, having gone through the appropriations process, I have never known us to come in at numbers lower than what the president has asked for when we're done with the appropriations process, whether it was President Clinton or whether it was President Bush.

But the record is fairly clear. I'm assuming that somewhere along the line President Clinton may have asked for a whole lot more than we gave him, but the record is fairly clear, here in Washington. We have not come anywhere close to reducing or cutting spending on K through 12.

Now, there is a budget out there, but we're going to go through the appropriations process. And to sit here and say that we are cutting spending on education for K through 12 is a misstatement, totally inaccurate. When you take a look at the record, 1996 we were spending $23 billion, 2001 we were spending $42.1 billion.

Ms. Ford, I hear your two colleagues on your left saying, ``these changes can be done just like that; there is no reason for these things to take more than a year. They can be put in place." Is that what you've seen in Washington, D.C.? That it is kind of like, we've identified the process, and you know, we've significantly increased money in Washington, we've significantly increased money at the state level, almost around the country, and are these reforms taking place just like that, and you're seeing instant improvement in the schools?

Ms. Ford. Absolutely not.

Chairman Boehner. Are your schools any better here in Washington, D.C., than they were five years ago?

Ms. Ford. No, they are not.

Chairman Boehner. When did you start this process?

Ms. Ford. Well, I got involved here five years ago.

Chairman Boehner. Five years ago.

Ms. Ford. And I have not seen any changes. Actually, in some cases, they have gotten worse, not better.

Chairman Boehner. I mean, I agree with you. You have to take a look at these_

Ms. Ford. The faces.

Chairman Boehner. The faces of these parents, of their kids. I still remember when we did the hearings in New York City, where a father came up and said, ``You know, when my kid entered school, the New York public schools had a five-year school improvement. All the great ideas were identified." He said, ``after five years, the schools were no better. But they had a plan; they had a new five-year plan. And they're now in the middle of this five-year plan, and the schools are no better. I just lost my child."

Ms. Ford. Well, you know?

Chairman Boehner. Yes, go ahead.

Ms. Ford. That's what continues to happen here. We keep getting these five-year plans, and we don't see any changes in schools. I spent some time with the superintendent and the board president this morning, which, again, started talking about, ``we intend on."

You know, I get really tired, and I spend a lot of time with parents. And what parents are saying is, ``we need something to happen now. We are tired of sacrificing our children, waiting for the public school system to fix itself."

And in a lot of cases, somebody was bringing up the numbers of children leaving the school system, or how many would leave the school system. You know, when the charter schools came into existence, there were 18 schools that opened. And thousands of parents left the school system.

If those schools had had more room, more of those parents would have left the school system, because the school system has consistently disappointed them, you know, and we don't see any change in it right now. Again, we're at the beginning of a five-year plan.

Chairman Boehner. Yes. And Mr. Reed, you talked about this, and that's what we've been dabbling in for the last 10, 15 years in education reform, more money, more, what did you call them? What were the second elements?

Mr. Reed. More rules and mandates versus more incentives.

I think the numbers that we've heard today and that are publicly available really speak volumes about what more money, through the traditional mechanism, has done for public education. Painfully little.

And when I hear so much of the public policy debate over these questions today, and when I hear Mr. Mincberg and Ms. Krishnaiyer, it makes me think that it doesn't matter how many times you cite these numbers, because some people believe that the system is more important than the kids.

But I think there are five of us on this panel who believe that the kids are more important than the system. And I think all of us would do well to spend more time with the kinds of parents and kids that Ms. Ford deals with every day of the week, because so much of the debate is dominated by distant policy wonks who pontificate from their ivory towers and never interact with the kids like Joshua, and the kids that Ms. Ford interacts with every day.

Kids are what this is all about, and broadening the opportunities for them.

Chairman Boehner. Mr. Mincberg, is the authorized levels in No Child Left Behind enough money?

Mr. Mincberg. I think that would do a good job of funding those particular reforms.

Chairman Boehner. Would you support tax credits, if we fully funded H.R. 1?

Mr. Mincberg. Well, I suspect that there would, I would believe that, in areas other than education, there would be better things that could be done with that opportunity cost, including looking into the faces of the many children.

We worked before with thousands of parents and kids across the country that wants improvements, not only in education, but in other areas, too, and I would rather see the money spent in those areas.

Chairman Boehner. So, I mean, heaven forbid that we allow a public school or somebody to make a decision to help Joshua; heaven forbid, right?

Mr. Mincberg. No, not at all.

Chairman Boehner. I mean, even if we fully fund H.R. 1, even if we fully fund what the congress and the president agreed to for education, you will still be opposed to a tax credit which would allow Joshua or Joshua's equivalent at a public school to get any kind of an additional benefit.

Mr. Mincberg. Mr. Chairman, as a matter of fact, as I think one of your colleagues pointed out; there already are tax benefits that exist.

Chairman Boehner. I'm asking about a tax credit. Would you be opposed to a tax credit if we fully funded H.R. 1?

Mr. Mincberg. I think that I would be opposed to a tax credit, at the very least, until I felt that the other kinds of benefits, not only in education, but in other areas that the federal government has responsibility for, were, in fact, being all undertaken.

Chairman Boehner. You're opposed.

Ms. Woolsey. I'm gone.

Chairman Boehner. You're gone? All right. Mr. Schaffer.

Mr. Schaffer. Thank you. I would like to just ask Mr. Christopher to tell the same story he told me in my office a little earlier today when we just arrived in town. You were just talking about how much time you spend with your grandsons' education, and that you mentioned you had considered how you might pay for the tuition if it were not for the scholarship that was available, and so on.

Mr. Christopher. Well, first of all, I look at it this way. Education is one of the most important things for our children, so that they can grow and become congressmen and senators, just like you, who are here.

I say that if I didn't get this scholarship for my two grandsons, I am a single parenting grandfather; I would have to get a second job. And in doing this, I would lose time with my children. I wouldn't be able to nurture them along, as I am doing now, and spending the time for education of doing homework with them at night, of preparing them for school the next day, and all my time would be in working to support them in the school system.

That's what we were talking about earlier, and that's the way I feel about it. And, thanks to the ACE program, I'm able to work one job, come home, and pick my boys up from the school, and start their homework, and to make sure that they're being nurtured. That's what I'm talking about.

Chairman Boehner. Will the gentleman yield, for just a minute?

Mr. Schaffer. Sure.

Chairman Boehner. I think Joshua, Mr. Isakson wants to say hello to you, and meet you, and he has to go to another meeting.

Mr. Isakson. Good job, Joshua. Keep up the good work, okay? Thank you very much.

Chairman Boehner. Thanks, Mr. Isakson. Mr. Schaffer?

Mr. Schaffer. Thank you. I want to ask you a question, but I want to make sure I characterize it right, because I am just 100 percent convinced that a legitimate discussion about tax credits should not become a public versus private school discussion.

I think it should be a discussion about how do we increase the propensity of the American people to invest in education, period, regardless of the provider.

But it does come down to choices that parents make, and presumably have a clear insight to the best interests of children, that parents or grandparents have, than any of us here, or certainly those who would administer the government funds that we take from you, like we did yesterday, and filter them through this process.

So, you could answer all those questions you just raised, the eliminating the necessity for second jobs, spending time with your grandkids, if you just sent them to the neighborhood government-owned school? Why didn't you do that? Can you just tell us, why did you make the decision you made?

And you know, I'm not asking you to defend it, necessarily, but I just want you to take the opportunity to explain, you know, why you made the choices you did for your kids?

Mr. Christopher. Well, in the beginning, when my daughter passed away, one of her main requests were to go to this particular school, because they were learning so well, and they were getting a good, quality education.

And the way my two boys are excelling, and the way the public school system that my neighborhood was offering, it was like night and day. And I really believe I have two boys who will be going on to further their education and doing real well.

And because of this private school, and because of the scholarship that they get, I am really pleased with their learning and what they have already learned at the ages that they are. They're advanced. I really feel they're totally advanced by going to a private school, and having a choice. This is the way I see it.

At this moment, as I told you, these fellows are doing just fine in the school system. I am saying that without the scholarship, I don't think we could go there unless I did work the second job. And at my age, I think it is a little bit too much right now.

Mr. Schaffer. Well, thank you, Mr. Chairman. Joshua, I just want to say you did a great job testifying today, and sitting through all these very exciting speeches.

Joshua Holloway. Thank you.

Mr. Schaffer. And your mother would be quite proud of you, I'm sure of that.

Chairman Boehner. I'd like to thank the panelists for being here today. This is going to be a wonderful debate. It is about opening up a significant new avenue of funding for schools, actually, for all our children.

That's what happened in Arizona, that's what's happened in Minnesota, and interestingly enough, in many of those places, it's come together in very much a bipartisan basis, bringing together Republicans and Democrats, conservatives, liberals, bringing together rural and suburban communities with, you know, people who are living in the large inner cities.

They've done it at the state level. And what they've said at the state level is, ``we want to increase the educational pie. We want to go beyond just those dollars that are collected through taxes, and we want to provide all of our parents and our corporations an additional way to invest in public education, to invest in private education.

But we want to increase the educational spending pie, rather than having debates at the state capital, or having debates in Washington here, about how we re-distribute the existing dollars coming into our coffers, the public dollars that we have today.

But I think it will be a very interesting debate to see those who will argue against increasing the pie; increasing educational investment for our kids, if people at the local level want to make those decisions and arguing why increased investment for kids like Joshua and others is a bad thing.

So we hope that we have the same kind of bipartisan coalition that can develop here in Washington that has developed at the state levels, and has really led to, I think, some exciting opportunities at the state levels, and some real creativity and progress.

And with that, again, I thank the panelists for coming. Joshua, maybe one of these days you will be sitting up here. How would you like that? Then you can do all the talking. Sound like a pretty good deal?

Joshua Holloway. Yes.

Chairman Boehner. All right. With that, the committee will stand adjourned.

[Whereupon, at 4:53 p.m., the committee was adjourned.]

APPENDIX A -- OPENING STATEMENT OF CHAIRMAN JOHN BOEHNER, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON. D.C.

STATEMENT BY CHAIRMAN JOHN A. BOEHNER

HOUSE EDUCATION AND THE WORKFORCE COMMITTEE HEARING ON "EQUAL EDUCATIONAL OPTIONS FOR PARENTS"

APRIL 16, 2002

Good afternoon, and thank you all for being here. We've invited you here today because all of us believe every American child should have the chance to learn and pursue the American Dream. Unfortunately, as things currently stand, not every child in America today will get that chance.

America is not yet a land of equal educational opportunity. Children of parents in poor communities do not have the same educational options as their counterparts in wealthier districts. This reality disproportionately impacts minority Americans, and it is a direct cause of the academic achievement gap that continues to exist in the United States between disadvantaged students and their peers.

Our first priority is to strengthen all of our schools with new resources, accountability, and local control. The bipartisan *No Child Left Behind* Act signed into law by President Bush in January takes this approach. The new law says that when schools are struggling, we won't turn our backs on them; we'll focus more attention on them, and push them to excel. Under *No Child Left Behind*, our nation's poorest schools this year will receive an historic increase in federal aid, and schools designated as "failing" will qualify for extra help.

We can't turn our backs on failing schools, and we won't. But we can't turn our backs on children trapped in endlessly failing schools, either. When schools do not teach and do not change – even after repeated efforts to turn them around – there must be a "safety valve" for the students. That's what today's hearing is about.

For low-income parents, education choice can mean the difference between keeping a child trapped in a failing school that refuses to change, or sending a child to a better-achieving school that offers hope. Giving parents new options such as education tax credits, which are beginning to show results in some States and are gaining momentum in other states, is a critical next step in education reform.

Expanding parental choice also helps to energize the public education system and spur struggling schools to succeed. Critics wrongly claim giving parents more choice will result in resources being "drained away" from public schools. The evidence we've seen in places like Florida, where parental choice measures for low-income families have been successfully implemented as a means of bolstering school accountability, suggests these fears are unfounded. **Parental choice doesn't drain resources away from public schools. But the *absence* of parental choice drains hope away from disadvantaged students. This is the issue Congress is compelled to address.**

Last year, at the President's urging, Congress took significant bipartisan action to expand choices for low-income parents. While offering unprecedented support for public schools and public school teachers, we created expanded Education Savings Accounts that help parents pay for K-12 educational expenses in both private and public schools. And we gave parents with children in chronically-failing public schools the right to choose a private tutor and a better-achieving public or charter school. Both of these reforms were part of the President's original *No Child Left Behind* plan.

This year, Republicans and Democrats in Congress must build on this solid foundation by taking further action to expand parental choice in education. Parental choice is an essential element of accountability. It makes our schools stronger, not weaker.

The President's FY2003 budget provides for an education tax credit that would build on last year's bipartisan education reforms.

As Mr. Michael Guerra, president of the National Catholic Educational Association (NCEA), said recently: "The president's proposal will unlock a door for families whose children are trapped in failing public schools. . .Their future is on the line and the president recognizes that time is of the essence."

Our colleague, Rep. Bob Schaffer (R-CO), has agreed to take the lead on this project, and I expect that he will soon introduce legislation to meet the President's goal of further expanding parental choice in education. Our colleague from Michigan, Rep. Pete Hoekstra (R-MI), will also play a key role in this process. I'm grateful for their efforts.

The testimony we hear today will help to lay the groundwork for legislative action this year on expanded parental choice in education. If Democrats and Republicans truly hope to improve all of America's schools, equal educational opportunity for all students is essential.

With that, I yield to my friend Mr. Miller for any opening statement he may have.

#####

APPENDIX B -- OPENING STATEMENT OF RANKING MINORITY MEMBER GEORGE MILLER SUBMITTED FOR THE RECORD BY REPRESENTATIVE DALE KILDEE, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C.

Full Committee Hearing on Vouchers and Tax Credits
April 16, 2002
"Equal Educational Choices for Parents"

The topic of today's hearing – choice in education is one that we have debated many times before. Public school choice is a viable option that is permissible under Federal law and many State and local laws and was further incorporated into our main Federal K-12 programs in the Elementary and Secondary Education Act during our work on H.R. 1.

However, private school vouchers, tax credits and other similar initiatives are destructive forces in our effort to reform and strengthen our public education system. In fact, the House has rejected private school vouchers numerous times over the past few years on strong bipartisan votes.

Tax credit proposals in the States have resulted in millions of dollars benefiting middle and upper income families, rather than what proponents say is the target audience – low-income families. In Arizona a recent analysis by Arizona State University showed that $74 million in State revenue has benefited middle and upper income families due to the State's tax credit program.

Tax credit proposals in the States have also largely benefited students already enrolled in private schools. In Arizona, 76 cents of every dollar generated by their tax credit program has gone to benefit students already in private school, while only 19 cents of every dollar has benefited students transferring from a public school to a private school.

The House Budget Resolution and the Administration's Budget also embrace this failed strategy. The House Republican Budget Resolution calls for $3.7 billion over the next 5 years for a tax credit scheme. Rather than squander these resources on tax credits we could:

- serve an addition 3.7 million children in Title I, or
- hire 100,000 teachers over the next 5 years.

Rather than diverting scarce public resources to pay the cost of private school tuition through vouchers, tax credits and other approaches, I believe there are stronger methods of reform within the public school system.

The bipartisan No Child Left Behind Act embraces a stronger method of reform by directly addressing the root causes of struggling schools and focusing immediate resources on low-performing schools.

If schools do not turn around after additional help, consequences exist. Consequences for failure include such comprehensive steps as reconstituting teacher and administrative personnel, public school choice, and State takeover, where allowed.

If schools are failing and do not respond to interventions, then one of these actions must be taken.

Consequences that keep resources and focus on improving our public schools are what is needed to improve the performance of a system that educates 90% of America's children.

APPENDIX C -- STATEMENT OF LAWRENCE W. REED, PRESIDENT, MACKINAC CENTER FOR PUBLIC POLICY, MIDLAND, MICHIGAN

Education Reform, School Choice, and Tax Credits

Based on Testimony before the U.S. House of Representatives Education Committee
April 16, 2002

By Lawrence W. Reed
President
Mackinac Center for Public Policy
140 W. Main St., P. O. Box 568
Midland, Michigan 48640
www.mackinac.org

Few issues are more important to the future of this country than the education of our children. My remarks today spring from a critical premise—a premise that we need reforms that will foster a new burst of individual and institutional involvement in the learning process, reforms that will create a truly vibrant, competitive, and accountable marketplace which attracts widespread, popular participation and more voluntary investment.

Three Kinds of Education Reform

Not all education reforms are created equal. Indeed, at the Mackinac Center for Public Policy, we believe that all reforms intended to improve the quality of public education fall into just three categories: those dealing with rules, those involving resources, and those concerned with incentives.

Rules-based reforms include such things as extending school days and the school year, changing teacher certification and school accreditation requirements, imposing national and state testing, enacting stricter dress codes, and the like. Research has shown that these reforms, while causing marginal improvements, have failed to turn around a large-scale decline in education. More drastic city or state "takeovers" of failing schools and districts, and other regulatory regimes have been and still are being tried, with the same disappointing results. Most of these efforts have driven critical elements of the management of our schools beyond the reach of parents and local school governing bodies and concentrated large portions in remote bureaucracies.

Another attempted strategy to improve public education is through resource-based reforms. They include such measures as increased funding, new textbooks, wiring schools for Internet access, and other measures that require greater financial expenditures. They all derive from a decidedly unpopular source—raising somebody's taxes.

Scholars have studied the relationship between per-student spending and achievement test scores since the publication of "Equality of Educational Opportunity" (better known as "The Coleman Report") in 1966. Author James Coleman, a leading sociologist, concluded that factors such as per-pupil spending and class size do not have a significant impact on student achievement scores.

The central finding of over 30 years of research is clear: More money does not equal better education. There are schools, states, and countries that spend a great deal of money per pupil with poor results, while others spend much less and get much better results.

We have all but exhausted the "rules" and "resources" approaches to education reform, with little to show for our time and money. The one promising category left is "incentives." I am referring to incentives that will encourage more people to get involved, as parents and donors and friends of education—incentives in the form of tax credits specifically.

Tax Credits

Properly designed tax credit programs help drive the funding of education away from distant bureaucracies and put it in the hands of all citizens interested in improving education for everybody. It's a great way for every segment of society to get personally involved in education, especially when it's aimed at helping needy children. Tax credit programs that involve contributions for all schools public or private can bring the diverse and sometimes disputatious education community together because they create winners without producing losers. They can make our school officials fundraisers instead of tax raisers and ultimately allow for better utilization of more resources for schools. Ultimately, they can expand opportunities for children immensely and bake a bigger pie for education all the way around.

As most people think of them, tax credits are designed to provide parents with tax relief linked to expenses incurred when they select a school other than the government-assigned one for their children. That typically means a private school, but tax credits can also apply to expenses charged by a public school that accepts a student from outside its regular jurisdiction. The credit is usually a dollar-for-dollar reduction in taxes owed (whereas a tax *deduction* is merely a reduction in taxable income).

Tax credits are typically applied against only state and/or federal income taxes, but property tax credits have been proposed as well. Tax credits might be allowed for any or all out-of-pocket educational expenses incurred by an individual, from tuition to textbooks to transportation to extracurricular fees—though tuition is the most common expense allowed in practice.

Tax credits don't represent a claim by anyone on someone else's wallet. You don't get the credit if you don't pay tuition or if you don't pay taxes. A credit on your taxes represents your own money, period. And credits can be extended not only to parents paying educational expenses but to other citizens or even companies that contribute to scholarship funds that assist children in getting access to the school of their choice, public or private.

My organization, the Mackinac Center for Public Policy, is nationally known for pioneering a "Universal Education Tax Credit" and showing how it would work as applied to a particular state as early as 1996. It's that form of tax credit that I most highly recommend.

Key to the "universal" education tax credit concept is that it allows any taxpayer—individual or corporate, parent or grandparent, neighbor or friend—to contribute to the education of any elementary or secondary child and then qualify for a dollar-for-dollar credit against certain taxes owed. Our original proposal called for an eventual cap on the credit of 50 percent of what the state spends per pupil in the existing public system, phased in over nine years in a fashion that generates a savings in the School Aid Fund every year as some families migrate from the public to the private system. The maximum credit would be more than enough to cover educational expenses at 90 percent or more of schools. More importantly, our proposal envisions scholarship funds supplied with private tax credit monies. These scholarship funds would be established by schools, companies, churches, and myriad private groups—spurred on by individuals and companies who want to help children get their schooling in the best and safest schools of their choice.

Would tax credits be sufficient to encourage businesses to contribute to education scholarship funds? Absolutely. After explaining the concept, I and others from the Mackinac Center staff have asked CEOs all over our state this question: "Suppose you had a choice. You could send a million dollars in taxes to Lansing or Washington for government to spend on any number of things. Or, you could send that million to one or more scholarship funds to help children who might be your future employees get a good education. Which would you do?" We've never met one who preferred option #1.

The popularity of tax credits among parents has exploded throughout the country in recent years. K-12 tax credits have passed state legislatures in Arizona, Minnesota, Iowa, Florida, Pennsylvania and Illinois. Arizona Gov. Fife Symington signed into law a bill in April 1997 granting an income tax credit of up to $500 for people who donate to nonprofit groups that distribute private scholarships to students. The law also offered taxpayers a credit of up to $200 for money given to government schools to support extracurricular activities. Arizona expanded its program in 1998 to include tax credits for donations to both private scholarship programs and public schools. The end result so far has been tens of millions of dollars raised voluntarily to help give children more resources and more options.

Pennsylvania's legislature overwhelmingly approved an "Educational Improvement Tax Credit" (EITC) program that allows corporations to receive a 75% tax credit for donations to scholarship and educational improvement organizations. It becomes a 90% tax credit if the donor commits to making the same donation for two consecutive years. Within a few months of enactment, about $30 million in donations were committed over two years.

Last year, Florida passed legislation to provide tax credits to corporations that donate up to $3,500 (per pupil) to non-profit organizations, which award scholarships to children from low-income families. The State saves money for its School Aid Fund or other purposes because it now spends $5,200 on each public school student while the corporate scholarship limit is $3,500.

Federal legislation has been proposed that would permit an education tax credit against federal income taxes owed of up to $500 ($1,000 for joint filers) for contributions to qualified scholarship funds or to local public schools for construction or technology. Corporations would receive a 75 percent credit, up to $100,000.

This proposal is a modest start that won't break the budget. It's a great way for the federal government to improve education without spending more, taxing more, or creating any more bureaucracies. It will send a strong signal that the federal government trusts parents. It will spur more charitable giving and a bigger education funding pie at the state and local level. And by not discriminating against private schools over public, or public schools over private, it introduces a new measure of fairness that just isn't in the system now.

Indeed, education is still overwhelmingly a state and local matter, and that's where groups and citizens should work to craft universal tax credit plans onto their existing tax and education infrastructure that have peculiarities of their own in each particular state. But the broad outlines are clear for every state—help parents, concerned citizens and businesses help kids by giving them encouragement when they contribute to the costs of providing education. It's the right thing to do. It's the fair thing to do. It will galvanize and strengthen civil society by giving individuals and companies new incentive to assist the educational dreams of their fellow citizens. And it will bolster the incentives of all schools, public and private, to improve.

Thank you, Mr. Chairman, and members of the Committee for your attention and consideration of these ideas.

Committee on Education and the Workforce

Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)

Your Name: LAWRENCE W. REED		
1. Will you be representing a federal, State, or local government entity? (If the answer is yes please contact the committee).	**Yes**	**No** X
2. Please list any federal grants or contracts (including subgrants or subcontracts) which you have received since October 1, 1999: None, at any Time.		
3. Will you be representing an entity other than a government entity?	**Yes** X	**No**
4. Other than yourself, please list what entity or entities you will be representing: *MACKINAC CENTER* *FOR PUBLIC POLICY* *140 West Main Street* *P.O. Box 568* *Midland, MI 48640*		
5. Please list any offices or elected positions held and/or briefly describe your representational capacity with each of the entities you listed in response to question 4: President 198 - 2 02		
6. Please list any federal grants or contracts (including subgrants or subcontracts) received by the entities you listed in response to question 4 since October 1, 1999, including the source and amount of each grant or contract: None, at any Time.		
7. Are there parent organizations, subsidiaries, or partnerships to the entities you disclosed in response to question number 4 that you will not be representing? If so, please list:	**Yes**	**No** X

Signature: Lawrence W Reed **Date:** 4-15-02

Please attach this sheet to your written testimony.

APPENDIX D -- STATEMENT OF GLENN CHRISTOPHER, GRANDFATHER OF JOSHUA CHRISTOPHER HOLLOWAY, DENVER, COLORADO

Glenn Christopher

Testimony before the Education and the Workforce Committee

April 16, 2002

Greetings, I am Glenn Christopher and I am the grandfather of two amazing grandsons (Joshua Christopher and Jeremiah Holloway). I am here to testify in support of Colorado House Bill 1309.

House Bill 1309 would empower parents to send their children to school of their choice.

HB 1309 would expand educational opportunities for low-income families who prefer the option of a private or parochial school for their children. It would cover private school tuition for children who are labeled un-teachable.

HB 1309 would offer a credit against state income tax for private contributors that provide educational assistance. HB 1309 would give more organizations the incentive to give donations to educational organizations and foundations that provide scholarships for low-income students, and minorities. HB 1309 will not only benefit low-income children in private schools, it also will benefit public schools as well.

HB 1309 will give competition, more scope, and improve the quality of schooling available to all students. It will also heighten the quality of education within our local, regional and state educational institutions.

Personally, I am a benefactor of the ACE scholarship program for my two grandsons, which I greatly appreciate. It allows my two grandsons and a host of other children to obtain a better education at Watch-Care Academy.

Committee [illegible] and the Wor[illegible]ce

Witness Discl[illegible] – "Truth in Test[illegible]ony"
Requi[illegible] XI, Clause 2(g)

Your Name: GLENN [illegible] stopher		
1. Will you be representing a feder[illegible] government enti[illegible] the answer is yes please contact the com[illegible]	Yes	No
2. Please list any federal grants or [illegible] ng subgrants or su[illegible]contracts) which **you have received** since October 1, 199[illegible]		
3. Will you be rep[illegible]ting an entit[illegible] ernment entity? N/A	Yes	No ✗
4. Other than yourself, please list w[illegible]es you will be rep[illegible]ting: N/A		
5. F[illegible] elected [illegible] briefly descri[illegible] representational capacit[illegible] the entities yo[illegible] to question 4: N/A		
6. [illegible] grants or c[illegible] subgrants or su[illegible]cts) received by the [illegible] response to qu[illegible] er 1, 1999, inc[illegible] source and [illegible] contract:		
[illegible]tions, [illegible]rships to the [illegible] not be repres[illegible] N/A	Yes	No

[illegible] Date: 4- -02

[illegible] se attac[illegible] [illegible] testimony

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PE ONAL INF MATION: Please committee with a copy of your resume (or curriculum vi). If none is availa. swer the following questions:

a. Please lis any employment, oc r work related experiences, and educ ion or trainin which relate to your ifi ons to testify on or knowledge of the subj matter of th earing:

1. Postal worker-US ffice
2. Grand parent

. Please provide any other informa ish to convey to the committee, which d the memb of the committee t better the context of your testimony:

ndpar ent represe scholarship needs for educ tion regard y grandsons.

Please attach to y n testimony.

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APPENDIX E -- STATEMENT OF JOSHUA CHRISTOPHER HOLLOWAY, STUDENT, WATCH CARE ACADEMY, DENVER, COLORADO

Joshua Christopher Holloway

Testimony before the Education and the Workforce Committee

April 16, 2002

My name is Joshua Holloway. I was born in Denver. My favorite subject is football. I am 10 years old. My mother passed away last year. I have a brother who is six. His name is Jeremiah. We go to church every Sunday. Before I go to school, I read the bible.

I live with my grandfather. Sometimes my cousins come over and we play outside and play video games. Before my mom passed away, she told my grandfather to bring us to Watch-Care. We were at Watch-Care before we moved to New York. My grandpa couldn't afford to pay for me and my brother. Mrs. Perry told him about the ACE Scholarships. My grandpa applied and we were awarded ACE scholarships. Jeremiah and I say thank you ACE.

It is with your [ACE] help that my grandpa is able to bring us to this fantastic school. I know my mom is happy and thanks you [ACE] also. When I grow up, I want to be a lawyer, then a football player.

Thank you for helping all the children who are getting such an education through your program. I want to win. This will help my grandpa with money for Jeremiah and I.

APPENDIX F – STATEMENT OF VIRGINIA WALDEN FORD, EXECUTIVE DIRECTOR, D.C. PARENTS FOR SCHOOL CHOICE, WASHINGTON, D.C.

Testimony of Virginia Walden Ford
April 16, 2001

Thank you for this opportunity to speak on behalf of so many desperate parents in the District of Columbia.

My name is Virginia Walden-Ford. Several years ago, I was a single mother with a son in 9th grade. When my son started having problems in and out of school, I knew I did not want him to continue attending Roosevelt High School, a D.C. public school that had (and still has) many problems of its own.

Thanks to a neighbor's financial help, I was able to send my son to a private High School, where his grades and attitude immediately began to improve. He has now graduated and in serving in the U.S. Marine Corp and doing very well. I still shudder to think how very different his life would have been had he not been able to attend a school that offered a strong academic program and an environment that inspired him to succeed.

You have no idea what it is like to be trapped in poor performing schools like the ones in some of our neighborhoods here in DC. For years DC parents have been told to wait and reform would come. But is it right to sacrifice the educational future of our children by waiting four more or six more years and seeing no changes or changes that come so slowly they are impossible to see.

I lead D.C. Parents for School Choice and counsel many low-income parents, and I know that being low-income does not mean caring any less about a child's education. We hear from parents who have bright children but those children are behind in reading and math based on the documented performance of many schools in the poorest communities in DC. Other children in those same neighborhoods, especially African American male children, have been inappropriately labeled Emotionally Handicapped or Learning Disabled and sentenced to a special education system that is one of the worst in the nation.

Children in some of the worst high schools in the city have begun to acclimate themselves to the "drop-out" culture that pervades their schools. They will begin to expect to drop out the way many of their friends have. Tragically, parents are beginning to see the same attitudes even in our city's middle schools students. Parents have begun fearing for their children's lives. In our neighborhoods, when young males drops out they often end up in prison or worst.

We have a system which leaves hundreds of thousands of low-income predominantly minority children in terrible schools with low academic achievement and high rates of crime.

We have received hundreds of calls from parents who have not been lucky enough to get a scholarship through the many scholarship groups in town, WSF, Black Student Fund, etc. and parents who are camping out for charter schools that are not keeping up the pace of parents need to get out of failing schools. They contact us looking for better options for their children.

Parents here in the District are daily expressing their frustration in a school system that is taking too long to fix itself. Many of them have come to the point where they feel hopeless and helpless, which is often interpreted as not caring about their children. However, we have seen that, when children are placed in nurturing educational environments, they succeed and their parents become active and involved.

I have been working on this for a long time, and have testified before. The more you are involved in helping parents – the more you realize how many parents are desperate for alternatives and need help. It is getting worse – not better.

Thank you very much.

Committee on Education and the Workforce

Witness Disclosure Requirement – "Truth in Testimony"

Required by House Rule XI, Clause 2(g)

Your Name: Virginia Walden-Ford		
1. Will you be representing a federal, State, or local government entity? (If the answer is yes please contact the committee).	**Yes**	**No** ✓
2. Please list any federal grants or contracts (including subgrants or subcontracts) which you have received since October 1, 1999: None		
3. Will you be representing an entity other than a government entity?	**Yes** ✓	**No**
4. Other than yourself, please list what entity or entities you will be representing: D. C. Parents for School Choice, Inc		
5. Please list any offices or elected positions held and/or briefly describe your representational capacity with each of the entities you listed in response to question 4: Executive Director		
6. Please list any federal grants or contracts (including subgrants or subcontracts) received by the entities you listed in response to question 4 since October 1, 1999, including the source and amount of each grant or contract: None		
7. Are there parent organizations, subsidiaries, or partnerships to the entities you disclosed in response to question number 4 that you will not be representing? If so, please list:	**Yes**	**No** ✓

Signature: Virginia Walden-Ford **Date:** 4-1-2002

Please attach this sheet to your written testimony.

APPENDIX G -- STATEMENT OF LATHA KRISHNAIYER, CHAIR, LEGISLATION COMMITTEE, NATIONAL PTA, WASHINGTON, D.C. AND MEMBER, FLORIDA PTA

National PTA

everychild. onevoice.

Testimony

Of

LATHA KRISHNAIYER

representing the

Florida PTA

and the

National PTA

Submitted to the
Committee on Education and the Workforce
U.S. House of Representatives

Regarding Educational Options for Parents

April 16, 2002

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Good Morning. My name is Latha Krishnaiyer. I come here today as the mother of a child who completed his primary and secondary education in the public schools in Florida. I am also here as a representative of the 381,000 members of the Florida PTA, and the six and one-half million members of the National PTA. I chair National PTA's Legislation Committee, which is charged with implementing a legislative program based on positions adopted by the membership. I would like to thank the Committee for the opportunity to address its members on the need to provide parents with educational options.

The purpose of this hearing is to explore educational options for parents whose children attend schools in need of improvement. I suggest to the Committee that the subject mis-states what parents want. We don't want to "escape" our neighborhood schools – we want to improve them. The best educational option for parents would be a high quality public school in every neighborhood in America.

Not all public schools are academically where we would like them to be, and I agree that families with children in schools needing improvement deserve solutions. As a member of the PTA, however, my goal is to ensure that a quality public education is available for ALL children. Therefore we support reforms that are fully accountable to the public and that are designed to help ALL children, such as:

- Class size reduction

- Professional development
- School modernization
- Parent involvement, and
- School-based before- and after-school programs.

Now is not the time to divert public funds to private schools that are not accountable to the public, whether through experimental voucher programs or tuition tax subsidies, neither of which has been proven to raise student achievement. These funding schemes offer no benefit to the vast majority of parents and students, or to the communities in which public schools are located.

Rather than explore options for abandoning our public schools, I urge this Committee to focus on measures such as those I mentioned, which cost no more, and take no more time to implement than vouchers and tax credits, but will improve ALL schools and help ALL children, without undermining the accountability this Committee worked so hard to implement in the recently enacted No Child Left Behind Act.

Not only do vouchers and tuition tax credits fail to improve public schools, they also fail to benefit those families to whom they are marketed. These schemes are promoted as a method of expanding parents' education options, and improving student achievement. In most cases, these are empty promises.

The term "choice" sounds appealing, but in fact vouchers and tuition tax credits are a cruel hoax on many parents whose children will not be able to attend the schools they choose.

Parents may currently choose either to send their children to public school or to apply to the private school of their choice. Voucher programs and tax credits do not expand these options, since they cannot require private schools to accept all applicants. Even if a parent has the means to pay tuition, private schools may refuse to accept students based on their academic performance, gender, and religion, as well as physical, emotional, behavioral or learning disabilities. The U.S Department of Education found in 1998 that one-third to one-half of all private schools would not even participate in a voucher program if it required them to accept applicants randomly. Less than one-third would participate if required to accept students with special needs.[1]

Rather than expand parents' options, vouchers and tax credits provide a nominal subsidy that may assist some parents in implementing choices that would not otherwise be financially viable. However, because the cost of private school remains out of reach for most families, even with a taxpayer-funded voucher or a tax credit, these programs do not provide most parents with the means to take advantage of educational options. Private school administrators enjoy the only real choice, as they get to pick which applicants they will accept.

Enrollment in private school, whether accomplished through a voucher or a tuition tax subsidy, is promoted as a magic bullet for improving student achievement. The data do not support this presumption. The U.S. General Accounting Office found that "the contracted evaluations of voucher students' academic achievement in Cleveland and Milwaukee found little or no difference in voucher and public schools students' performance."[2] A meta-analysis of voucher research, conducted by the non-partisan Rand institute, also found that for most students, "attendance at voucher schools has not provided consistent evidence of either benefit or harm in academic achievement."[3]

Nor do vouchers improve public schools. A study by the Manhattan Institute purports to show that Florida's A+ program, which includes the threat of vouchers, spurred remarkable improvement at schools that had been graded F between 1999 and 2000. The study however, did not compare the extra teachers and other resources provided those schools, compared to schools receiving higher grades. Teachers report that the resources, not the threat of vouchers, made the difference.[4]

Other measures have been shown to be more effective education reform strategies: class size reduction and better resources. Project STAR has studied the long-term effects of class size reduction. The most recent study of the data found that while in small classes, average test scores rose 7-10 percentile points for African-American students, and 3-4 percentile points for white students. Smaller class size also raised the likelihood that students would ultimately take college entrance exams. Researchers also found a lower teen birth rate and fatherhood rate among students who had been assigned to smaller classes, as compared to students assigned to regular classes.[5]

In the most recent evaluation of the Student Achievement Guarantee in Education (SAGE) program, low-income students placed in classes with low student-teacher ratio in the early grades showed significant improvement over their counterparts in regular classes. Teachers in smaller classes reported spending more time teaching rather than disciplining, and were able to spend more time on class discussion, content coverage, and individual attention.[6]

Thus, while there is no strong evidence that participation in a voucher program increases student achievement, there is considerable research indicating that smaller class size and additional resources do. Parents indicate that one of the reasons for seeking to transfer to private schools is so their children can be in smaller classes. If smaller class size is the key to increasing student achievement and parent satisfaction, why not fund it for all students instead of for just a few?

In addition to failing to improve student achievement or expand parental options, vouchers suffer a third strike by completely undermining accountability, a cornerstone of the No Child Left Behind Act, by diverting public funds to private schools, where taxpayers exercise no oversight.

In addition to the traditional requirements that public schools make meetings, records such as test scores, dropout rates and other information open and available to the public, and comply with all civil rights, health and safety requirements, public schools must also meet new federal accountability requirements by adopting standards and implementing assessments to determine whether students are making adequate yearly progress. Private schools are not held to any of these requirements. Vouchers and tax credits provide no means whereby taxpayers can determine whether public funds are being spent appropriately or effectively.

Voucher and tax credit proponents claim that parents provide all the accountability that is needed – if schools fails to perform, parents, as the ultimate consumer of the education commodity, can "vote with their feet," and take their voucher money elsewhere. This substitutes the judgment of individual parents for our collective oversight. It not only eliminates accountability for how tax dollars are spent, but alters the nature of education from a priority in which every citizen has a stake, to a private commodity in which only those citizens with school-age children have an interest.

Furthermore, we have found that the threat to withdraw students and take vouchers elsewhere has not prevented mismanagement and fraud any more effectively in Florida than it has in Milwaukee or Cleveland. For example, schools participating in the McKay Scholarship program, which provides vouchers for students with disabilities, have failed to provide books and services, and have been accused of permitting verbal and physical abuse of the students. The only recourse available to the parents is to move their child to a different school. And the taxpayers have no recourse for this misuse of public funds.

This Committee is also considering tuition tax credits as another means of diverting funds to private schools. This scheme suffers from the same liabilities as vouchers. Indeed, because tuition tax credits generally benefit middle and upper class taxpayers more than working class families, they might be termed vouchers for the wealthy.

The House of Representative approved a budget resolution that includes a refundable tax credit that would subsidize transfers from public schools needing improvement to a better public school or to private school. It is estimated that this subsidy would reduce federal revenues by approximately $3.7 billion over five years. These funds could be used to meet many of the funding requirements in the No Child Left Behind Act. For example:

- The 21st Century Community Learning Centers program is level-funded, even though the program is able to fund only a fraction of the grant applications received.
- Even Start, which integrates early childhood education with family literacy services, can fund no new grants under the budget resolution.
- Early Reading First, a newly created program designed to promote reading readiness among preschoolers, receives no additional funding under the House budget resolution.

- Section 619 of Part B of IDEA, which provides grant for preschoolers with special needs, is frozen despite the Administration's support for early identification and treatment.

Other tax credit proposals would allow corporations as well as individuals to receive credits for payments either for private school expenses, or for contributions to private voucher foundations. It would be fiscally irresponsible to consider proposals that reduce education funding when so many of the programs that were just reauthorized face inadequate funding under the budget resolution adopted by the House of Representatives.

Tax credits reduce state revenue, which is the primary source for public education funding. Proponents claim that tax credits will encourage families to send their children to private schools, thereby reducing the public school population, and the costs associated with public education.

Last year Florida enacted a corporate tax credit for corporations that contribute to private voucher foundations. This tax credit will cost the state $50 million. A recent report found the Florida program to be revenue neutral, based on this assumption. This reasoning is faulty, however, because even if enrollment drops, school districts face certain fixed capital expenses that cannot be reduced merely because a few students transfer to a different system. Schools cannot be cooled 20% less; leaky rooks cannot be 80% fixed; and schools cannot dismiss 20% of their administrative, custodial, clerical, and extracurricular staff – even if they lose 20% of their students. Indeed, as a result of revenue shortfalls, school districts in Florida have been forced to reduce and eliminate athletic programs, summer school, early childhood programs, art and music, and classes have become more crowded as staff has been reduced. Some districts are even considering double sessions to ease overcrowding.

The consequences for public schools of reduced revenue due to tuition tax credits will be:

- More crowded classrooms,
- Loss of remedial services as well as art and music,
- Teacher dismissals, and
- More dilapidated schools, as new construction and repair is postponed.

Tax credits are also inequitable. Tax equity requires that families with similar income pay a similar amount of tax. But families who choose not to use public schools are rewarded with a tax break not available to families whose children attend public school. Even where the tax credits are available for contributions to public schools, these measures merely exacerbate the disparity between funding in affluent communities and working class districts, where parents do not have the means to contribute. As wealthy districts reap the benefits, poor districts will be left further behind, as the total amount of revenue available for education funding shrinks.

Tax credits are not just unsound tax policy, but they lack adequate accountability measures. No tuition tax credit requires schools receiving the benefit to show how the dollars are spent – the public has no knowledge whether the education program being funded through the subsidy is effective. At a time when the public and policymakers are calling for increased accountability, tax subsidies for private education fall short.

Vouchers and tuition tax subsidies do nothing to improve public schools. They do not improve student achievement. They do not expand parents' educational choices. Instead, they divert public funds from public schools, where 90 percent of our children are enrolled, to private schools that are not accountable to the public.

Any "option" that, by design, sacrifices the majority of children for the benefit of a few is economically shortsighted. We cannot renege on our commitment to leave no child behind by adopting options designed to help only a few. The challenges confronting some public schools are varied and complex, commanding an even greater commitment on the part of parents, community leaders, and elected officials. It is our civic obligation to promote options that will help ALL children, and leave none behind.

This is the option most parents want. Not the opportunity to research every school in their district, find the one that offers small class size, highly qualified teachers, current textbooks in sufficient number that every child can take one home, and up-to-date technology, for example, and then arrange transportation to and from a school that may be across the county from their home. The option parents want is to find that school in their own neighborhood.

The solution this Committee can offer is the support to improve all schools so parents won't need to find other options that involve abandoning their neighborhood public school.

- If schools need repairs, then renovate them.
- If classrooms are overcrowded, build new schools and hire more teachers.
- If the schools lack computers and books, supply them.
- If teachers need additional training or families need support services, then schools should provide them.

Use the public schools where there are measurable successes as models for education reform initiatives in poor performing public schools. These are the immediate, research-tested, proven option we, and millions of other Americans support.[7]

Thank you for your commitment to our children, and for giving me the opportunity to address you. I would be happy to respond to any questions the Committee has.

ENDNOTES

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[1] Barriers, Benefits, and Costs of Using Private Schools to Alleviate Overcrowding in Public Schools, U.S. Department of Education, November 1998.

[2] School Vouchers: Publicly Funded Programs in Cleveland and Milwaukee, GAO-01-914, August 2001.

[3] Rhetoric Versus Reality: What We Know and What We Need to Know About Vouchers and Charters Schools, Rand, 2001.

[4] Gregory Camilli and Katrina Bulkley, *Critique of "An Evaluation of the Florida A-Plus Accountability and School Choice Program"* Education Policy Analysis Archives, March 4, 2001; http://epaa.asu.edu/epaa/v9n7/

[5] Alan Krueger and Diane Whitmore, *Would Smaller Classes Help Close the Black-White Achievement Gap?* http://www.irs.Princeton.edu/pubs/working_papers.html

See also, Alex Molnar, *Smaller Classes, Not Vouchers, Increase Student Achievement,* Keystone Research Center, Harrisburg PA, 1998; Elizabeth Word, et al, *Student/Teacher Achievement Ratio (STAR) Final Report 1985-1990,* Tennessee Department of Education, 1990; Barbara Nye et al., *The Lasting Benefits Study,* Tennessee State University, 1995; Alan Krueger, *Experimental Estimates of Education Production Functions,* Princeton University 1997; U.S. Department of Education, *Local Success Stories: Reducing Class Size,* 1999 http://www.ed.gov/offices/OESE/ClassSize/localsuccess.html.

[6] Alex Molnar, Philip Smith, and John Zahorik, *1999-2000 Results of the Student Achievement Guarantee in Education (SAGE) Program Evaluation,* University of Wisconsin-Milwaukee, 2000. http://www.uwm.edu/Dept/CERAI/. See also, Peter Maier, Alex Molnar, Stephen Percy, Philip Smith, John Zahorik, *First Year Results of the Student Achievement Guarantee in Education (SAGE) Program,* Center for Urban Initiatives and Research, University of Wisconsin-Milwaukee, 1997.

[7] According to a poll conducted by the Committee for Education Funding, 80% of the American public favor increasing the federal investment in education to five cents on the dollar within five years. See also, Kaiser Foundation Poll, September 7, 1999: Three out of four Americans would be willing to have their taxes raised by at least $200 a year to pay for specific measures to improve community public schools. More than half would be willing to see their taxes go up by $500.

Committee on Education and the Workforce

Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)

Your Name: Latha Krishnaiyer		
1. Will you be representing a federal, State, or local government entity? (If the answer is yes please contact the committee). No	Yes	No
2. Please list any federal grants or contracts (including subgrants or subcontracts) which you have received since October 1, 1999: None		
3. Will you be representing an entity other than a government entity? No	Yes	No
4. Other than yourself, please list what entity or entities you will be representing: National PTA Florida PTA		
5. Please list any offices or elected positions held and/or briefly describe your representational capacity with each of the entities you listed in response to question 4: National PTA Board of Directors, Legislation Chair Florida PTA Board of Directors, Immediate Past President		
6. Please list any federal grants or contracts (including subgrants or subcontracts) received by the entities you listed in response to question 4 since October 1, 1999, including the source and amount of each grant or contract: None		
7. Are there parent organizations, subsidiaries, or partnerships to the entities you disclosed in response to question number 4 that you will not be representing? If so, please list: No	Yes	No

Signature: Latha Krishnaiyer Date: April 16, 2002

Please attach this sheet to your written testimony.

APPENDIX H -- STATEMENT OF ELLIOT M. MINCBERG, VICE PRESIDENT AND LEGAL POLICY DIRECTOR, PEOPLE FOR THE AMERICAN WAY FOUNDATION, WASHINGTON, D.C.

TESTIMONY OF ELLIOT M. MINCBERG
People For the American Way & People For the American Way Foundation
BEFORE HOUSE EDUCATION AND WORKFORCE COMMITTEE
APRIL 16, 2002

Good afternoon Mr. Chairman and members of the Committee, and thank you for inviting me to testify here today. My name is Elliot Mincberg, and I am vice-president and legal and education policy director of People For the American Way Foundation (PFAWF), a citizens' organization with 500,000 members and supporters dedicated to protecting constitutional and civil rights, improving public education, and promoting civic participation. I also serve as vice-president of People For the American Way. Both these organizations have been working for years, at the federal, state and local levels, to strengthen our public schools. For example, through its partnership with the NAACP, Partners for Public Education, People For the American Way Foundation has been mobilizing communities to become strong advocates for their local public schools, and working with parents to become effectively involved in their children's schools. People For the American Way and People For the American Way Foundation and the Americans we represent are vitally concerned with the overall subject of these hearings: preserving and improving our nation's system of public education so that all children learn and achieve and, so that no child is left behind.

As requested by the Committee, I will focus today particularly on the issue of equal educational choices for parents and students and the idea of tuition tax credits for private schools. Despite the claims made by some, providing effective educational options for needy students and adopting tuition tax credits are two very different things. PFAWF has supported ideas that truly provide effective public school educational options, particularly for low-income students, such as magnet schools, properly run charter schools, and the recent provision in ESEA, that allows parents in chronically failing public schools the ability to transfer to better performing public schools. These methods can help provide quality public education to all kids, with accountability for educational performance and choice by parents and students.

In contrast, tuition tax credits and their first cousin, vouchers, do not help achieve these objectives. Instead, these schemes drain crucial resources from public school kids, provide choice primarily to private schools, not parents and students, and create serious problems of accountability. When voters have been asked to choose, they have overwhelmingly rejected voucher and tax credit proposals in favor of strengthening public schools - the same choice that should be made by this Committee and this Congress. I will discuss these conclusions specifically in terms of two so-called parental choice programs that PFAWF has recently studied: the Arizona tuition tax credit and the Cleveland voucher plan.

The Arizona Tuition Tax Credit Law

When Arizona passed a tuition tax credit law in 1997, it was hailed by some as a model for improving public education and providing choice for low-income parents to transfer out of failing public schools. In fact, the available evidence shows that the law has instead become a model for seriously undermining public education, particularly for poor children. Attached to my testimony are copies of PFAWF's September, 2001 report on the Arizona law as well as an analysis released last month by researchers at Arizona State University (ASU). Following are some key points of this research:

- Over a three-year period, the Arizona scheme cost more than $74 million, and that money went largely to subsidize education for middle and upper-income families. Contrary to proponents' claims, very little benefit is going to low-income families with children in public schools. Indeed, regardless of income, the ASU study showed that only 19 cents of every tax credit dollar is going to any students who moved from public to private schools; more than 75 cents of every tax credit dollar is going to subsidize students already enrolled in private schools. In some cases, groups of parents literally write checks for each others' children, subsidizing those who already attend private school.

- Both studies demonstrate why the tax credit law does not provide significant and equal choice for low-income students. The average tuition grant provided under the law covers barely one fourth of the cost of the median private elementary school tuition and less than one fifth of the cost of the median private secondary school. The grants, moreover, do nothing to overcome other barriers faced by low-income students, such as transportation costs, additional fees, and admission exams and other requirements. In large measure, it is the private schools that do the choosing, not parents and students.

- There is no accountability for how publicly subsidized dollars are spent in the Arizona tax credit system. In public schools serving low-income students, schools are held accountable for helping improve student performance and, when public school choice is exercised, students are allowed to transfer to a better-performing public school. But there are no such requirements with respect to tax credit-supported schools. These private schools are not required to administer state exams, release financial statements, or even report academic achievement information to parents and the public. In addition, private schools do not have to follow many civil rights laws that prohibit discrimination, for example, based on religion, gender, or disability.

- To avoid claims that the tax credit law only helps private schools, the Arizona scheme also provides a tax credit for contributions towards extracurricular activities at public schools. In practice, however, the neediest public schools receive the least benefit from this provision. For example, during one period, Glendale Elementary School, in a predominantly poor area, received only $4 per student from this credit, while a wealthier counterpart, Nadaburg Elementary School, collected as much as $333 per student. School officials report that wealthier Arizona parents have used the tax credit to recover costs of field trips to New York or cheerleading camp.

- Furthermore, Arizona's public schools, particularly those serving poor children, are desperately short of resources. Education Week rated Arizona dead last out of the 50 states in a key measure of school funding adequacy and 39th out of 50 in school funding equity. Some of Arizona's urban public schools, for example, have been unable to fund important kindergarten enrichment and after-school tutoring programs. The $74 million that was diverted by the tuition tax credit law could have gone a long way towards meeting these crucial needs.

The Cleveland Voucher Program

As the Committee is aware, the Supreme Court is currently considering the constitutionality of the Cleveland voucher program. Regardless of whether the program is legal, however, the facts show that it also suffers from the key flaws of other so-called private choice programs. As outlined in our September 2001 report covering five years of the Cleveland voucher program, a copy of which is attached to my testimony, the program diverts crucial resources and attention from efforts to improve public schools. It produces choice largely for private schools, not students and parents. And it raises serious problems of accountability for educational dollars.

After this current school year, the Cleveland voucher program will have cost taxpayers over $43 million, the vast majority of which is taken from disadvantaged pupil impact aid that otherwise would have gone to the most disadvantaged children in the Cleveland public schools. Although voucher advocates claim that this provides choice for kids in public schools, in fact only about one fifth of Cleveland voucher students ever attended public schools. Taxpayer dollars are being used to subsidize students, many of whom are not low-income, who were already attending private schools. In the meantime, the Ohio Supreme Court has ruled three times that the state of Ohio has violated the state constitution by providing woefully inadequate funding for its public schools. Rather than working to fund and improve the public schools in Cleveland and elsewhere that serve more than 90% of our children, the state has diverted precious energy and resources on vouchers.

One example illustrates this problem. At the same time the voucher program was being launched, the budget got so tight that Cleveland public schools had to eliminate all-day kindergarten. Except for magnet schools, there was only one certain way to get all-day kindergarten if you were a Cleveland parent that year: the voucher program. That is not equitable parental choice. Instead, it is starving our public schools and providing less equitable choices for parents.

The Cleveland program also provides choice primarily for private schools, not parents and students. As discussed above, relatively few Cleveland voucher students actually transfer from public schools. Private voucher schools in

Cleveland can and do exclude special education students. Contrary to what many believe, there is no income limit in the program so that in the 1999-2000 school year, for example, almost 40% of the voucher students were above the poverty line, including some with incomes more than twice the poverty level. The official responsible for running the voucher selection process admitted that at one point, the selection process used appeared to favor higher-income students over poorer children. And voucher schools can and do "choose" students through the back door as well, so that large numbers of students in the program one year simply "disappear" the year after.

Finally, there are serious accountability problems in Cleveland voucher schools. Despite all the hoopla by supporters, an independent evaluation of the program has found no significant academic gains by voucher students. Individual voucher schools have had a number of problems. One school that was in the voucher program operated for two years despite the fact that its 110 year-old building had no fire alarm or sprinkler system, and was under a fire watch requiring staff to check for fires every 30 minutes. Lead-based paint, which can cause brain damage in children, was found in the school at a level eight times greater than generally regarded as safe. Additionally, the school had to repay nearly $70,000 in tax dollars because it was getting voucher money for students that were not in the school at all. Similar problems at another voucher school were compounded by clearly inadequate classroom instruction in which the school was effectively a video school where students sat in front of a TV and watched recorded lessons on screen. Clearly, accountability remains a serious problem in voucher schools.

The Public Verdict

Finally, it is important to keep in mind the public verdict on tax credit and voucher schemes. Since 1972, there have been 12 attempts to pass voucher or tuition tax credit referenda that would enable public tax dollars to subsidize private and parochial education (see attachment). All attempts have been consistently—and in most instances, resoundingly—defeated by the American electorate. In fact, all seven voucher and tuition tax credit referenda introduced in the 1990s have been defeated by at least 60 percent of the vote. Overall, voters in eight states have voted by a cumulative 68 to 32 percent margin against vouchers and tax credits on 12 ballot initiatives from 1970 to 2000.

For example, proponents heavily pushed state-wide voucher referenda in Michigan and California in 2000. Both of these proposals were resoundingly defeated. This was especially true among minority and urban voters, at whom these voucher proposals were aimed. African-American voters in Michigan rejected vouchers by 77% to 23%. In California, Latino voters rejected vouchers by the same margin. Detroit voters turned down the voucher proposal by an 82-18% margin.

Conclusion

Both vouchers and tax credits divert precious funds needed to strengthen public education. This Congress passed landmark education legislation that can truly make a difference for all our students - if the legislation is adequately funded. We are already hearing, however, that this year's budget may not include the funds needed to improve our public schools. Diverting more resources into voucher and tax credit schemes, with their lack of accountability and failure to provide true, equitable options for all students, is not the answer. To ensure that no child is left behind, we need to follow the example of voters across the nation, reject voucher and tax credits schemes, and work to improve and strengthen our public schools.

Committee on Education and the Workforce

Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)

Your Name: Elliot M Mincberg		
1. Will you be representing a federal, State, or local government entity? (If the answer is yes please contact the committee).	**Yes**	**[✓ No]**
2. Please list any federal grants or contracts (including subgrants or subcontracts) which you have received since October 1, 1999: None		
3. Will you be representing an entity other than a government entity?	**[✓ Yes]**	**No**
4. Other than yourself, please list what entity or entities you will be representing: People For the American Way Fdn		
5. Please list any offices or elected positions held and/or briefly describe your representational capacity with each of the entities you listed in response to question 4: Vice-President & Legal & Education Policy Director & Genl Counsel (also hold same positions w People For the American Way)		
6. Please list any federal grants or contracts (including subgrants or subcontracts) received by the entities you listed in response to question 4 since October 1, 1999, including the source and amount of each grant or contract: None		
7. Are there parent organizations, subsidiaries, or partnerships to the entities you disclosed in response to question number 4 that you will not be representing? If so, please list: See #5	**Yes**	**No**

Signature: **Date:** 7/6/02

Please attach this sheet to your written testimony.

PEOPLE
FOR THE
AMERICAN
WAY
FOUNDATION

A Model to Avoid:

Arizona's Tuition Tax Credit Law

September 2001
Ralph G. Neas, President

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Over the past 11 months, the school voucher movement has suffered one major political setback after another. Last November, Michigan and California became the latest states in which voters decisively defeated voucher initiatives. This spring, the Wisconsin Legislature refused to support a proposal to significantly expand the Milwaukee voucher plan—the nation's longest-running, publicly funded voucher program. In Congress, vouchers fared no better as both the administration's voucher proposals and various voucher amendments were rejected.

In the face of these defeats and a new national poll showing record-high support for public schools,[1] voucher proponents are seriously rethinking their strategy. Many of them are now embracing and endorsing a different tactic: tax credits for private school tuition.

Andy LeFevre, who directs the education task force for the ultra-conservative American Legislative Exchange Council, has praised tuition tax credits as a viable policy alternative. Tuition tax credits, LeFevre said, "are looked at in a little more favorable light in states than vouchers ... the end goal is the same as a voucher; it's just a different way to come about it."[2] For years, a group of pro-voucher legislators in Arizona tried, without success, to pass a state law that used vouchers to divert public tax dollars to private schools. Then, in 1997, the state enacted a tuition tax credit law—prompting the bill's author, Trent Franks, to ask: "Why do we need vouchers at this point?"[3] The pro-voucher Cato Institute has added its voice to this chorus, recently lauding the Arizona tax credit law as a model for improving public education in the United States.[4] Yet, nothing could be further from the truth.

The available evidence shows that the Arizona law is a model for seriously undermining public education, particularly the public schools that serve poor children. Over a three-year period, the Arizona scheme has cost more than $55 million, money that has gone largely to subsidize education for middle- and upper-income families, both in private and public schools. By contrast, low-income families who pay fewer taxes do not benefit from the tax credit. In fact, the tax credit depletes state funds, making less money available for needed improvements in public schools that serve low-income and disadvantaged students.[5] In addition, while the public and policymakers are calling for much more accountability of public schools, there is virtually no accountability—and evidence suggesting financial abuse—for Arizona's tax credit scheme.

The 1997 Arizona law provides a dollar-for-dollar, state income-tax credit up to specified amounts for two types of expenditures—one for donations made to private scholarship organizations, and one for donations to support extracurricular activities of public schools. Most other states do not have tuition tax credit laws, although efforts to promote them are under way across the country. As People For the American Way Foundation's (PFAWF) research demonstrates, both aspects of the Arizona tax credit law divert significant resources away from programs that could otherwise support and strengthen public education for poor and disadvantaged students.

Arizona's private tuition tax credit

The first type of tax credit available under the Arizona law allows taxpayers to claim a credit against state income taxes for contributions up to $500 ($625 if filing jointly) to eligible "School Tuition Organizations" (STO).[6] These STOs, in turn, provide scholarships to students, paying for all or part of their tuition at religious and other private schools. The legislation stipulates that taxpayers claiming this credit cannot earmark their donations to benefit their own dependents. It also states that STOs are to spend at least 90 percent of their revenue on scholarships, and to provide scholarships to students in more than one school.[7]

To help enact the law, tax credit supporters argued that it would expand educational opportunities for those who could not otherwise afford private school.[8] However, the law does not require STOs to provide any scholarships to students based on financial need or previous inability to attend a private school. Furthermore, although parents are precluded from designating their own dependents as beneficiaries of their "donation," they are able to designate other specific individuals. As a result, as the *Arizona Republic* reported, some parents are writing $500 checks for their friends' children, who, in turn, are reciprocating. Under this loophole, 96 percent of the more than $361,000 donated to the Arizona Scholarship Fund—the seventh-largest STO in 1999—was earmarked for students who were *already* enrolled in private schools.[9] Trent Franks, a former state legislator who conceived of Arizona's tax credit approach, openly admits that this is how many parents are using the law.[10]

Other evidence confirms that the tax credit program primarily benefits those who can already afford to send their children to religious and other private schools. As of the year 2000, at least 25 of the 35 STOs that reported data provided tuition payments primarily to religious schools, usually specific schools that reflect the religious views or affiliations of these STOs.[11] A telephone survey conducted by PFAWF recently found that many STOs give priority to students already enrolled in religious schools that reflect the organization's religious mission or goals. In the survey, 19 of the 21 STOs responding indicated that their practice was to serve students already enrolled in private or religious schools; public school students are considered for scholarships *only* if money is left over after these existing private school students have been provided for.[12] As a result, those who gain from this tax law provision are generally those who have already had their children in private schools.

ASU study offers clues to law's real beneficiaries

A study by Glen Wilson of Arizona State University concluded that scholarship amounts primarily averaged below $500. Since low-income students would generally need larger scholarships to pay the high costs of private school tuition, this study strongly suggests that the Arizona tax credit functions more as a middle- and upper-class subsidy than it does as a vehicle for increasing access for low-income students. For example, in 1998, 85.3 percent of all scholarships granted averaged below $500, 8.6 percent averaged between $500 and $1,000, and less than 7 percent averaged above $1,000.[13]

Precise information on who benefits from the program is difficult to find. For example, even if a low-income student were able to obtain an STO scholarship sufficient to cover the cost of private school tuition, other factors—such as transportation to and from campus, application fees, and admission tests—could hamper the student's ability to attend private or religious schools. The precise role these or other obstacles could play is unknown because the state collects very little information from STOs and also because private schools are largely unregulated by state officials. Yet, for a news story last year, the *Arizona Republic* interviewed a spokeswoman for Arizona's governor who readily admitted, in the newspaper's words, that "it is mostly middle-income families whose kids already are in private schools who are taking advantage of the program, not the poor kid supporters claimed it would help."[14]

An absence of accountability

There are few regulations governing the operation of STOs, and even these rules can be circumvented. For example, the law stipulates that scholarship organizations may not designate all their scholarship money to one particular school. Yet, the Chabad Lubavitch Orthodox Jewish Synagogue Scholarship Fund provides scholarships only for students attending the Phoenix Preparatory High School. Fund officials argue that since boys and girls are taught separately in the orthodox Jewish tradition, scholarships are actually benefiting two different institutions, despite the fact that students of both sexes are housed in the same building.[15]

Even while the Arizona tax credit diverts millions of state tax dollars to private and religious schools, state officials demand little accountability from STOs. STOs don't have to provide any information on the quality of the education provided through state-subsidized dollars and don't have to be certified by the Arizona Department of Revenue or have their records audited.[16] PFAWF research has also found that STOs provide the state with donation information—such as the name, address and social security number of the donor, donation amount, scholarship amount and length, student beneficiary, and school beneficiary—*only when the donor chooses to make it available*. STOs are not required to follow up with donors to obtain this missing information.[17]

This may explain why more parents have claimed tax credits on contributions made to scholarship organizations than these organizations report. For example, in its report on 1999 tax credits, the Arizona Department of Revenue could verify only 53.8 percent—a bare majority—of the 6,400-plus tax-credit claims against STO-provided donor lists.[18] And, while the Department of Revenue acknowledges this growing problem, the laxity in reporting requirements has yet to be rectified. In other words, there is no specific oversight authority or any enhanced ability of state officials to investigate suspected tax fraud.[19] Last year, the Department's chief economist warned that she saw "lots of possibilities for abuse."[20]

In the meantime, opponents of the tuition tax credit scheme have rightfully raised serious concerns about the loss of tax dollars for Arizona public schools. Since 1998, more than $33 million in taxpayer dollars has been diverted from the state treasury to fund religious and private schools under this program, even while some of Arizona's urban public schools have been unable to fund important kindergarten enrichment and after-school tutoring programs for students.[21]

Arizona's tax credit for public-school extracurricular activities

The second type of tax credit allows Arizona taxpayers to claim a smaller credit of up to $200 ($250 if filing jointly) for expenses toward extracurricular activities at public schools. Parents can claim the credit for contributions made toward their children's expenses such as band uniforms, equipment or uniforms for varsity athletics, field trips, math and tutoring programs and scientific laboratory materials.[22] Credits can be claimed by any eligible taxpayer—the provision could enable public schools to receive donations from non-parents as well.

Tax credit proponents argue that this provision of the law helps public schools by enabling them to offer extracurricular activities that they otherwise would not be able to afford.[23] However, an examination of this aspect of the Arizona law demonstrates that, in practice, the neediest public schools receive only a minimal benefit. An analysis by the *Arizona Republic* reveals that public schools with the greatest needs receive the least from tax credit donations. For example, Nadaburg Elementary—a public school in one of the state's wealthier districts—was able to collect as much as $333 per student through tax credits. In contrast, Glendale Elementary, located in a predominantly poor area, was able to collect only $4 per student during this same period. The analysis did find a few exceptions where schools in low-income areas benefited from donations made by nearby retirement communities, but the overall finding was clear: public schools in wealthier communities have benefited disproportionately.[24]

Similarly, the study conducted by Arizona State University's Glen Wilson found that in 1998, among a sample of 929 public schools, the schools in the poorest areas and with the lowest test scores received the least money from tax credit donations. The study reported that public schools in the poorest communities received fewer than 4,100 donations amounting to approximately $2,900 per school. Conversely, public schools in the wealthiest areas of the state received more than 29,000 donations averaging approximately $13,000 per school.[25] By allowing taxpayers to direct where their dollars go, the Arizona tax credit law actually exacerbates existing gaps in the quality of programs between low-income schools and schools that serve wealthier communities.

In fact, most of the tax credits are used by middle- and upper-class families as a subsidy for their own children's extracurricular expenses—expenses they would have incurred anyway.[26] Since the tax credit is a delayed reimbursement, only families who earn enough to owe state taxes, and who can afford the up-front expenses, can utilize the credit. In other words, there is no way for poorer families to take advantage. As a result, there is little expansion of opportunities for low-income students to participate in extracurricular activities, since these activities rely heavily on a family's ability to pay.[27]

Both overall statistics and individual examples support this conclusion. According to the Arizona Department of Revenue, in 1998 more than 75 percent of tax credit claimants had an income surpassing $50,000, including more than 50 percent with incomes above $75,000.[28] In contrast, less than a quarter of the claims were made by taxpayers earning between $20,000-$50,000. And a mere 2 percent of tax-credit claims were made by families earning $20,000 or less.[29]

Subsidies for trips to Catalina Island

School officials report that wealthier Arizona parents have used the tax credit to help send their children on band field trips to Vancouver and New York, or to send other students to cheerleading camp. Former Superintendent of Public Instruction Lisa Graham Keegan used the tax credit to recoup $200 of the $300 she paid for her son's trip to Catalina Island, off the coast of southern California—but less fortunate students stayed at home.[30] Meanwhile, the state's ability to bolster educational programs at public schools is clearly undermined due to the loss of millions through the tax credit. In 1998, the state lost $8.9 million just through extracurricular-activity tax credits. This figure soared to $14.7 million in 1999.[31]

While supporters argued that the law would provide a fresh stream of money for public schools, very little of the money credited as "donations" for public schools actually represents *new* funding. In practice, parents are obtaining receipts from school officials for expenses that they have traditionally paid each year (e.g., purchasing a band instrument or athletic equipment). Relatively few taxpayers are writing open-ended checks that public schools are free to use for new programs that enhance students' academic or cultural experiences.

For example, Scottsdale's Desert Canyon Middle School collected $150,242 in "donations" in one year, but 98 percent of that amount paid for pre-existing school activities that parents had traditionally funded.[32] Similarly, Paradise Unified Valley School District received $770,000 in tax credit donations in 1999, but only $183,000 truly represented new money to the schools. The remaining $587,000 was claimed as credits by parents for their children's extracurricular activities, which included the district's annual trip to Catalina Island Marine Institute where students study oceanography and scuba diving.[33]

The schools are basically reduced to issuing receipts so parents can claim their credit—and must spend inordinate amounts of resources to do so. According to Paradise Valley's assistant superintendent for business services, James DiCello, of the $183,000 received by the district, more than half was spent on overtime for secretaries—who stayed late to write receipts for parents claiming the credit—and for other related costs.[34]

Problems associated with the extracurricular activity tax credit also can be seen in the tax reporting mechanisms that are in place. With schools having little incentive to report accurate data to state officials, the Department of Revenue has found serious discrepancies between the donations reported by schools and taxpayer contributions. The Department of Revenue was only able to verify about 61% of the reported data.[35] Due to the complexity in collecting data from various parties, the Department of Revenue decided to rely on just one set of data for the future—donations made toward the extracurricular activities at public schools.[36]

Conclusion

Arizona taxpayer dollars going to public schools or private STOs under the tax credit law are not, in fact, "donations" as supporters generally call them. While a state can earmark funds based on the needs of a public school and its students, Arizona's tuition tax credit interferes with this ability—effectively reallocating funds in a patently inequitable manner that hinders school improvement and reinforces economic divisions.[37] In essence, by diverting public money to private tuition organizations which then allocate funds, the tax credit functions as a *de facto* voucher system with very little accountability. This may explain why one newspaper noted that the architect of the tax credit law and his allies consider the private tuition tax credit provision to be "the next best thing to vouchers."[38] Using state tax dollars in this manner serves to exacerbate, rather than ameliorate, inequities in educational resources. Similarly, the tax credit for public school extracurricular expenses serves largely to benefit middle-class and wealthy parents by subsidizing their children's extracurricular activities, while offering little benefit to low-income families.

Proponents are touting the Arizona tax credit law as a model for expanding educational opportunities. Indeed, the state's tax credit scheme does serve as a model—for what other states should avoid.

Arizona's Tuition Tax Credit Numbers at a Glance

Year	Private School Tax Credits (STOs)	Extracurricular Activity Tax Credits	Total Tax Credits
1998	$1.8 million (15 STOs)	$8.9 million	$10.7 million
1999	$13.7 million (31 STOs)	$14.7 million	$28.4 million
2000	$17.5 million (35 STOs)	Data not available	More than $17.5 million[39]
Total	$33 million	More than $23.6 million[40]	More than $56.5 million[41]

SOURCE: Private School Tuition Organization Tax Credits Reported by School Tuition Organization, Calendar Year 1998 through 2000, Arizona Department of Revenue; Public School Extracurricular Activity Credit Reported by Schools and Taxpayers, 1998 and 1999, Arizona Department of Revenue. (Note: Some totals are listed as "more than" a specific amount because the state has not yet released data on extracurricular activity tax credits for the year 2000.)

ENDNOTES

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[1] Lowell C. Rose and Alec M. Gallup, "The 33d Annual Phi Delta Kappa/Gallup Poll of the Public's Attitudes Toward the Public Schools," September 2001. (For the first time in the poll's history, a majority of respondents gave their local public schools a grade of A or B.)
[2] Christine Hall, "State Legislators Endorse School Tax Credits," CNSNews.com, August 3, 2001.
[3] Karina Bland, "School Tax Credits Wide Open to Abuse; Millions Are Diverted From Needy Students," Arizona Republic, April 9, 2000, p. A-1.
[4] Carrie Lips, "Arizona School-Choice Plan Provides Model," *USA Today*, August 22, 2001.
[5] Data based on donations made to private STOs from 1998-2000 and donations made to public schools from 1998 to 1999 only; data for public school donations made in 2000 is not currently available; Arizona Department of Revenue. Available figures on the cost of the Arizona tax credit program are provided in the chart at the end of this report.
[6] School Tuition Organizations are defined as charitable organizations exempt from federal income tax as specified in the 501 (C)(3) of the IRS code; organizations allocate at least 90% of annual revenue toward educational scholarships or tuition grants to students, allowing them to attend any qualified school they are admitted to. A.R.S. § 43-1089. Available at: http://www.azleg.state.us/ars/43/01089.htm.
[7] A.R.S. § 43-1089. Available at: http://www.azleg.state.us/ars/43/01089.htm.
[8] Glen Y. Wilson, "Effects on Funding Equity of the Arizona Tax Credit Law," Education Policy Analysis Archives, August 1, 2000.
[9] Karina Bland, "School Tax Credits Wide Open to Abuse: Millions Are Diverted From Needy Students," *Arizona Republic*, April 9, 2000.
[10] ibid.
[11] Private School Tuition Organization Tax Credits as Reported by School Tuition Organizations, 1998-2000, Arizona Department of Revenue.
[12] Survey data collected from telephone interviews with officials at STOs, September 7 and 10, 2001.
[13] Glen Y. Wilson, "Effects on Funding Equity of the Arizona Tax Credit Law," Education Policy Analysis Archives, August 1, 2000.
[14] Karina Bland, "School Tax Credits Wide Open to Abuse: Millions Are Diverted From Needy Students," *Arizona Republic*, April 9, 2000.
[15] ibid.
[16] School Tax Credit Information, Arizona Department of Revenue publication, available at http://www.revenue.state.az.us/, access date September 2001.
[17] ibid.
[18] "Arizona's Individual Income Tax Credit for Schools, Report of 1998 Credits," Arizona Department of Revenue, Office of Economic Research and Analysis, October 2000.
[19] Karina Bland, "School Tax Credits Wide Open to Abuse: Millions Are Diverted From Needy Students," *Arizona Republic*, April 9, 2000.
[20] ibid.
[21] Arizona Department of Revenue, School Tax Credit Information; Arizona Department of Revenue, STO data from 1998 and 1999.
[22] House Bill 2064, January 18, 2001.
[23] "Abuse of School Tax Credit Must Stop," *Arizona Republic*, April 17, 2000.
[24] Lori Baker, "Schools Get a Break: Tax Credit Spurs Donations," *Arizona Republic*, April 12, 2000.
[25] Glen Y. Wilson, "Effects on Funding Equity of the Arizona Tax Credit Law," Education Policy Analysis Archives, August 1, 2000, pp. 3-5.
[26] "Abuse of School Tax Credit Must Stop," *Arizona Republic*, April 17, 2000.
[27] ibid.
[28] Data based on federal adjusted gross income; "Arizona's Individual Income Tax Credits For Schools: Final Report of 1998 Credits," Arizona Department of Revenue, Office of Economic Research and Analysis, October

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2000, pp.6-7; Glen Y. Wilson, "Effects on Funding Equity of the Arizona Tax Credit Law," Education Policy Analysis Archives, August 1, 2000.

[29] Glen Y. Wilson, "Effects on Funding Equity of the Arizona Tax Credit Law," Education Policy Analysis Archives, August 1, 2000.

[30] Karina Bland, "School Tax Credits Wide Open to Abuse: Millions Are Diverted From Needy Students," *Arizona Republic*, April 9, 2000.

[31] Refers to donations made to public and charter schools; Public School Extra Curricular Activity Receipts as Reported by Schools and Taxpayers, Arizona Department of Revenue, 1998 and 1999; data for 2000 is not available at present.

[32] Karina Bland, "School Tax Credits Wide Open to Abuse: Millions Are Diverted From Needy Students," *Arizona Republic*, April 9, 2000.

[33] ibid.

[34] ibid.

[35] Arizona Department of Revenue, School Tax Credit Information.

[36] As reported to PFAWF researchers during a phone interview, September 6, 2001.

[37] Glen Y. Wilson, "Effects on Funding Equity of the Arizona Tax Credit Law," Education Policy Analysis Archives, August 1, 2000, p. 2.

[38] Karina Bland, "School Tax Credits Wide Open to Abuse: Millions Are Diverted From Needy Students," *Arizona Republic*, April 9, 2000.

[39] Based on donations made to private STOs in 2000; data for public school donations for 2000 not currently available; Donations to Private Tuition Organizations and Scholarships Granted, As Reported by Private STO to the Arizona Department of Revenue, data for 1998-2000.

[40] Based on public school donations from 1998 and 1999 only, data for 2000 currently not available; Public School Extracurricular Activity Receipts, As Reported by Schools, Arizona Department of Revenue, 1998 and 1999 data.

[41] Total figures based on donations made to STOs from 1998 to 2000 and donations made to public schools from 1998 to 1999 only; Public School Extracurricular Activity Receipts, As Reported by Schools, Arizona Department of Revenue, 1998 and 1999 data; Donations to Private Tuition Organizations and Scholarships Granted, As Reported by Private STO to the Arizona Department of Revenue, data for 1998-2000.

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Five Years and Counting:

A Closer Look at the Cleveland Voucher Program

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From the beginning, backers of a proposal to establish a private-school voucher program in Cleveland, Ohio, went to great pains to proclaim their intentions. The voucher proposal, they declared, was a means to improve educational opportunity for poor students who weren't doing well in public schools. In the mid-1990s, when the Ohio Legislature was still debating the voucher proposal, Governor George Voinovich insisted that vouchers would "offer Cleveland school district parents—and particularly low-income families—new opportunities…"[1] In 1996, a reporter for the *Washington Times* summarized voucher advocates' arguments: "Supporters of the voucher program," the newspaper observed, "counter that it gives low-income parents the right to make school choices they could not otherwise afford and gives their children a long-denied chance for a better education."[2]

Has the Cleveland Scholarship and Tutoring Program—the name that state officials use for the voucher program—fulfilled the lofty goals that were identified by its supporters?

This report, *Five Years and Counting: A Closer Look at the Cleveland Voucher Program*, explores the voucher program and its impact on Cleveland students since it was begun in the 1996-97 school year. Specifically, the report examines the key questions that parents, the public and policymakers are asking—reviews how vouchers are paid for, the actual cost of vouchers to taxpayers and the state, and what choices are really available to students whose families opt for vouchers. *Five Years and Counting* also addresses the issues of equity and religious liberty, the level of accountability in voucher schools, and the most recent research on the impact of vouchers on student performance and achievement.

1. Which students qualify for vouchers and how many are participating?

Enacted in 1995, the voucher law provides that any K-3 student residing within the boundaries of the Cleveland Municipal School District can apply for a "scholarship" to attend private or religious schools. Once admitted, students may continue to receive vouchers through the 8th grade. Vouchers are assigned through a random-selection lottery system. Cleveland's voucher program was the first to include religious schools, and the program permits the participation of students already enrolled in private schools.[3]

The program provides vouchers of up to 90 percent of a religious or other private school's tuition, or up to a maximum of $2,250 (whichever is less), for families earning *at or below* 200 percent of the federal poverty level. The state pays 75 percent of a participating school's tuition or a maximum of $1,875 for eligible families earning *more than* 200 percent of the federal poverty level. In 1996, the first year of the program, 1,994 vouchers were granted to eligible students. For the current 2001-02 school year, 4,266 students are using vouchers.[4]

2. Who pays for vouchers and how much do they really cost?

The vast majority of funds for the Cleveland voucher program have come from Cleveland's portion of the state's Disadvantaged Pupil Impact Aid (DPIA) program.[5] To date, the Cleveland voucher program has cost more than $28 million. When direct administrative costs are factored in, costs of the voucher program increase to $33 million. For the 2001-02 school year there are 4,266 voucher students. Costs of the program this year are estimated to exceed $8 million in DPIA funds, with an additional $2 million or more being spent by Cleveland public schools to provide transportation for voucher students. In total, the voucher program will cost more than $10 million this year, 100 percent of which comes from funding intended to benefit children in Cleveland public schools.[6]

Although the maximum voucher amount under the Cleveland program is $2,250, this figure does not represent the total cost to taxpayers. In addition to the voucher amount, there are numerous program expenses that taxpayers must shoulder such as administration and oversight of the program, record keeping, information dissemination, transportation and other services. In fact, it has been estimated that Ohio spends more state tax money per voucher student than it does for nearly 90 percent of the state's public school children.[7] From 1991 through 1998, the state appropriated more money for its private schools ($1.1 billion) than it did to refurbish its public schools ($1 billion).[8] For Ohio to prioritize state funds in this way is significant given that, until recently, federal officials ranked the condition of school facilities in Ohio dead last among all 50 states. As this school year began, a spokesman for the Ohio School Boards Association called the state's public school infrastructure "a huge, huge problem."[9] In the 1998-99 school year alone, $140 million went to private schools for textbooks, reading and math specialists, science equipment and more.[10] *All* of Ohio's private schools—including those receiving voucher money—already receive an average of about $600 per pupil in cash, supplies and services from state taxpayers and local schools.[11]

From 1991 through 1998, Ohio appropriated more money for its private schools than it did to refurbish its public schools.

Furthermore, more than most states, Ohio relies heavily on local property taxes to fund state education. Consequently, affluent, predominantly suburban districts have much greater means to fund their public schools than do poor inner city and rural districts. A recent *Education Week* analysis ranks Ohio 44th out of 50 states in ensuring equitable funding.[12] Three times in the past decade, the Ohio Supreme Court has ruled the state's school funding formula unconstitutional and raised concerns about the method used to calculate the cost of an adequate education. In the most recent decision on September 6, 2001, the justices said they were prepared to uphold the constitutionality of the funding system if the legislature agrees to substantially raise expenditures on K-12 education. However, Senate President Richard Finan (R-Evendale) has stated that he would not support either a tax increase or budget cuts to meet the court order. Said a defiant Finan: "I say let the court figure it out."[13]

During the very years that this funding impasse between the Ohio Supreme Court and the legislature was playing out, the legislature continued to find money for vouchers and private schools. Cleveland's Catholic schools received $3.3 million in state tax money in 1998, while some of the state's public schools were found to have among the worst facilities and technology in the nation.[14] Clearly, legislators' decisions were not driven by fiscal responsibility, as the voucher program exceeded its budget by about 20 percent during its second year. Incredibly, this shortfall was covered with funds earmarked for public schools even when public schools, at the same time, were borrowing against future revenues to keep their doors open.[15]

Voucher advocates argue that tuition scholarships allow eligible students to leave public schools, reducing the number of students in classes and thereby saving public schools money. However, a study conducted by consulting firm KPMG found that the Cleveland district's operating costs continued to increase despite the voucher program. KPMG found that even those students who left the public schools to use vouchers were drawn from throughout the large district, so that it "is not able to reduce administrative costs or eliminate a teaching position...." Instead, KPMG reported, Cleveland's public schools are "losing [state aid] without a change in their overall operating costs."[16]

Voucher proponents claim that vouchers save taxpayer money since the voucher amount is less than the average per-pupil expenditure in public schools. However, their estimates fail to take into account the cost of services that most private schools do not provide—such as breakfast and lunch programs, health services, aid for children with disabilities, special education and ESL programs, counselors and transportation. The state provides Cleveland public schools with DPIA funds to pay for many of these services. DPIA is directed toward low-income public school students to be used for such programs as class size reduction, dropout prevention, Head Start or pre-school, all-day kindergarten, reading improvement and summer school.[17] However, in the first five years of the program, as much as $27.6 million that would have gone to implement these various programs to benefit Cleveland's disadvantaged public school students has been diverted to the voucher program.[18] These diverted funds could have strengthened Cleveland's ability to shape and direct new programs toward low-achieving students, and could have eased budgetary pressures that for example, forced the district to eliminate all-day kindergarten for its non-magnet schools for the first two years of the voucher program.[19]

Voucher advocates argue that students who use vouchers to leave public schools save the Cleveland Municipal School District money. But a KPMG study contradicts this claim.

Additionally, while the Cleveland voucher program was responsible for providing transportation services, the state audits found irregularities and transportation cost overruns. Beginning in 1999, this responsibility was shifted from the voucher program to the Cleveland Municipal School District—without any additional funding for the district. Whereas public school students are concentrated in smaller areas (allowing the district to take advantage of economies of scale and transport more children for less money), voucher students and schools are scattered all over the city, resulting in higher costs to transport voucher students. Moreover, voucher schools operate on different schedules than public schools, making it impractical to use regular public school bus routes to transport voucher students, and resulting in more overtime pay for drivers when the private schools operate but public schools do not, such as public school holidays and teacher planning days. In addition, some voucher students' homes are too remote to be served efficiently by buses, forcing the Cleveland Municipal School District to pay an estimated $1,200-$1,800 per pupil per year to transport these students by taxi.[20]

Since voucher student transportation costs are no longer paid for out of the voucher program budget, the *direct* costs of the voucher program have decreased considerably—by an average of $815 per student per year. Unfortunately, this burden has been shifted to the Cleveland public schools. These *indirect* transportation costs of the voucher program—which exceed the $500 per student per year that it costs to transport public school students in Cleveland—mean that the city's public schools must shoulder a burden of more than $2 million for the 2001-02 school year. Of course, $2 million could have paid for any number of educational or extracurricular programs for public school students.[21]

3. Do vouchers truly provide "choice" for poor students in Cleveland's public schools?

Voucher advocates claim that the Cleveland program helps poor families who want to leave public schools. Yet, during the program's first year, $1.6 million—almost 25 percent of Ohio taxpayers' cost—went toward the tuition of students already enrolled in private schools.[22] In fact, a recent study conducted by the Cleveland-based research institute Policy Matters Ohio determined that one in three students participating in the voucher program was already enrolled in a private school prior to receiving a voucher.[23] In addition, according to the United States Court of Appeals decision that ruled the program unconstitutional, almost 40 percent of the students receiving vouchers in the 1999-2000 school year were above the poverty line.[24] Similarly, in 1998 the state auditor reported that 113 vouchers were awarded to families whose incomes were more than twice the poverty level. This finding led the state auditor to recommend that the Ohio General Assembly clarify whether the law's intent was to award vouchers to poor students.[25] To date, legislators have not provided such a clarification.

A recent study revealed that one in three voucher students was already enrolled in a private school prior to receiving a voucher.

Furthermore, there were efforts in the 2001 legislative session to make vouchers available to the children of wealthier families. One state representative introduced a bill that would have at least doubled the dollar value of the voucher—a proposal that, if ever passed, could double the cost of the program as a whole. At the same time, a state senator proposed to expand the program to 35 districts that were deemed to be in a so-called "academic emergency." All students in these districts—regardless of income—would be eligible for vouchers, further undermining claims that the program targets low-income students.[26]

Moreover, the *Akron Beacon Journal* has reported that Francis Rogers, a state official responsible for designing the student selection process for the Cleveland voucher program, told his boss that the selection process used during the first year appeared to favor higher-income children over poorer children whose names had been originally selected in a lottery. Additionally, Rogers was reportedly surprised to hear about memos from voucher advocate David Brennan to former Governor Voinovich suggesting how the lottery should be run and seeking guaranteed access to wealthier students for Brennan's own HOPE Academies—which, at the time, were voucher schools.[27]

Finally, it is voucher schools, not parents, that exercise the real "choice," often excluding students due to special education status, disabilities, behavioral problems, academic performance, religious affiliation or other factors. Brennan candidly wrote to then-Governor Voinovich in 1996 that "none of the existing private schools will be able to handle a seriously handicapped child." An Ohio Department of Education spokeswoman recently commented that while spokespersons for the voucher program did not expressly discourage applications from parents of disabled or special needs children, officials were informing parents that needed services might not be available in voucher schools. "Many Catholic schools are not equipped to handle handicapped children or do not offer the services they need," she said.[28] This is significant, given that Catholic schools make up roughly 60 percent of the participating Cleveland voucher schools.[29] Moreover, these findings underscore a fundamental distinction: private schools, unlike public schools, are not required to educate every child.[30] And this fact is not unique to Cleveland. A 1998 survey by the U.S. Department of Education of private schools in large inner-cities found that between 70 and 85 percent of schools would "definitely or probably" *not* be willing to participate in a voucher program if they were required to accept "students with special needs such as learning disabilities, limited English proficiency or low achievement."[31] And 86 percent of all religious schools expressed this same unwillingness to participate.[32]

4. Are Cleveland voucher schools accountable to the public?

Incidents of corruption, mismanagement and poor planning have spurred not only voucher opponents, but some supporters as well, to call for voucher schools to ensure greater accountability for their academic and fiscal performance. An overwhelming majority of taxpayers polled in Cleveland—whether or not they support vouchers—believe voucher schools should be required to report the results of annual audits, budget decisions and status, teacher qualifications, curriculum, standardized test scores, teaching methods and more.[33]

Voucher advocates have helped to block accountability measures, including a bill that would have required state officials to make at least one on-site inspection of voucher schools.

However, voucher advocates and legislators continue to block accountability measures for private schools participating in Cleveland's voucher program. In the 2000 legislative session, state Senator C. J. Prentiss (D-Cleveland) sponsored a bill that would have required the Ohio Department of Education to make at least one on-site inspection of participating schools each year. While the bill passed the Senate, the House Education Committee did not vote on it.[34]

Similarly, a loophole in the voucher law gives the state superintendent of public instruction the authority to exempt schools in the voucher program from meeting state standards for nonpublic schools. From the start of the program, five voucher schools were granted an exemption from standards that include: open records provisions, requirements that teachers be certified and subject to background checks, and compliance with fire, health and safety inspection laws. Legislation has not closed this loophole. As a result, these schools have been afflicted with fire code and safety violations, inadequate instruction, classroom health hazards, a lack of faculty background checks, falsified report cards and more.[35]

These same five schools collected about $1 million in vouchers prior to completing their application processes; three of the five schools were still in the voucher program as of December 1999.[36] That year, one of the two schools that ceased to participate in the program was the Islamic Academy School of Arts and Sciences (IASAS). This school was allowed to operate for two years despite the fact that its 110-year old building had no fire alarm or sprinkler system and was under a "fire watch," requiring staff to check for fires every 30 minutes. Lead-based paint, which can cause brain damage in children, was found at a level *eight times* greater than generally accepted as safe. Eight of the 12 instructors at IASAS lacked state teaching licenses, and one had been convicted of first-degree murder in a 1964 shooting. State officials acknowledged oversight problems only after learning about school conditions from a *Cleveland Plain Dealer* article.[37]

One Cleveland voucher school was allowed to operate for two years despite the fact that it had no fire alarm or sprinkler system.

Safety was only one of the major problems at the Academy. The state auditor subsequently released an audit of IASAS, ordering the voucher school to repay nearly $70,000 in tax dollars because IASAS accepted voucher payments for students who were not attending the school, or who had only attended for part of the year. In 1999 alone, *over half* (32 of 56) of the students for whom the school received voucher payments did not attend the Academy at all or did so for only part of the school year. Many of these students actually attended Cleveland public schools for some or all of that year. The audit also reported that the school would not initially provide student files to the state, and, when IASAS finally did comply, student files had been deliberately falsified to mask the fact that some voucher students had never attended the school: "[I]t appeared that report cards provided for students who we had identified as having attended the Cleveland Municipal School District were duplicates of other report cards for students who did attend the IASAS, the difference being the names were altered."[38]

The IASAS officially closed its operations at the end of the 1998-99 school year.[39] State Auditor Jim Petro indicated that the state had been unable to locate the school owners and hold them accountable for restitution. However, by early 2000, a group of anonymous voucher supporters repaid the nearly $70,000 of tax dollars—plus an additional $11,000 in unpaid utility bills incurred by IASAS—to the Ohio Department of Education.[40]

Similar problems at the Golden State Christian Academy were compounded by inadequate classroom instruction. Led by an unpaid director, the school is a parent-run "video school." Students sit in front of a television and watch recorded lessons given by an on-screen teacher. The video lessons and workbooks are produced by the Pensacola Christian Academy, which features "a faculty of master [video] teachers that are dedicated to serving the Lord through Christian education." After receiving nearly $150,000 in public funds, it was discovered that the school had no fire safety or health certificate, lacked immunization records for any of its students, and had failed to post emergency procedures. Furthermore, the school's gym was found to have exposed electrical wiring. Golden State's voucher privileges were finally revoked for gross noncompliance as the school was beginning its third year in the voucher program.[41]

Additionally, accounting problems and lack of financial controls have plagued the program from the start. An independent auditor contracted by the state to evaluate the program found almost $2 million in questionable expenses for the first year. Of this figure, $1.4 million was spent on transportation, predominantly for taxis to transport voucher students at a cost of $15-$18 per student per day. This compares to the average cost of a school bus at $3.33 per day.[42] The January 1999 audit found that $419,000 in over-billing by taxi companies since 1997 was largely due to billing for absent students.[43]

5. What does the research reveal about the educational impact of the Cleveland voucher program?

1999 data showed that public school students scored higher on tests than voucher students who attended private schools that had opened to serve voucher students.

A multi-year, state-sponsored evaluation of the Cleveland program is being conducted by an Indiana University team led by Kim Metcalf. The first three reports examined the experience of voucher students and a comparison group over a two-year period, beginning with third grade.[44] Recently, on September 4, 2001, a new report was issued which covers the first and second grade experiences of voucher and public school students in Cleveland. Overall, despite voucher proponents' claims, the available studies fail to demonstrate a significant educational advantage for students who receive vouchers.

To date, the clearest, most unequivocal finding from the state-sanctioned evaluations of the voucher program is that students who used vouchers to attend *new* private schools—those established specifically to serve voucher students—scored significantly lower on academic tests in *all* subjects than their peers in both public schools and the more established private schools.[45] In 1999, it was found that students using vouchers to attend older, established private schools performed on par with those attending public schools. On a subject-by-subject basis, these voucher students out-gained public school students only in science. Overall test scores and the other four subject scores revealed no significant differences between voucher students in established private schools and public school students.[46]

Responding to Metcalf's first-year report, Paul Peterson and his research team claimed that findings from the 1997 evaluation of new private schools (HOPE Academy voucher schools) showed significant academic gains.[47] Peterson was hired to evaluate these schools by their founder, David Brennan, a prominent voucher advocate.[48] Peterson criticized the Indiana University study primarily for failing to include HOPE Academy test scores and for using second grade test scores taken prior to entry in voucher schools as a basis for comparison with third grade voucher scores.[49]

Metcalf responded with a strong article entitled "Advocacy in the Guise of Science." In it, he wrote that the Peterson researchers "are strong supporters of vouchers and have done much to promote the implementation of voucher programs throughout the country. So it is possible that they are engaged in a deliberate effort to misrepresent the Cleveland data in order to influence educational policy."[50] Specifically, Metcalf responded that he *did* include the HOPE scores but put them into a different section because HOPE students took a different test. Concerning the second-grade tests, Metcalf pointed out that assessing first-year results of an experiment without a baseline is "a little like trying to determine who won a basketball game by looking only at the points scored in the second half of the game."[51]

The Ohio Legislative Committee on Education Oversight (LCEO), responsible for monitoring Cleveland's voucher program, further discredited Peterson's criticisms. The LCEO found that Peterson's criticisms of the Metcalf study were "unfounded" and charged that he had released his critique to the *Wall Street Journal*, the *Washington Post* and the World Wide Web because he didn't like the results, even though the study's methods "are viewed as appropriate and credible by disinterested scholars."[52]

6. What does the study released this year tell us about academic performance?

The 2001 report by Indiana University's Metcalf compares four groups of students from the time they entered first grade in 1998-99 through the end of second grade. There are two groups of voucher students: a 3-year voucher group that entered the voucher program at the start of kindergarten, and a 2-year voucher group that entered the program at the start of first grade. The study also included two groups of public school students: those whose families had applied for a voucher and either not received or not used one (called "applicant/non-recipients"), and their classmates, whose families had not applied for a voucher (called "non-applicants").[53]

Metcalf found that *both* public school groups in the study demonstrated greater learning gains in the subjects tested (language, reading and math) over the two years of the study than either of the voucher student groups. While voucher students had higher total test scores entering first grade, this advantage quickly began to erode. In fact, one group of public school students—the applicant/non-recipients—surpassed the 2-year voucher students (with a score of 576) and had completely caught up with the 3-year voucher students by the end of second grade (scores of 583 each). And the non-applicant public school students (577) pulled slightly ahead of the 2-year voucher students and closed what had been an 11-point gap between themselves and the 3-year voucher students to only six points.[54]

Both public school groups displayed greater learning gains over the two years of the study than either of the voucher groups.

Some pro-voucher groups have tried to frame the 2001 data as proof that vouchers are superior to public schools by focusing on the test scores of the 3-year voucher students.[55] However, this ignores some compelling points. First, while Metcalf collected no data about students' kindergarten experience, it *is* known that: 1) the 3-year voucher students attended kindergarten, but 2) the Cleveland public schools did not offer any full-day kindergarten during the 1997-98 school year—except in magnet schools—when these public school students would have been in kindergarten. This factor would generally be expected to give 3-year voucher students an advantage.[56] In the study's technical report, Metcalf himself noted the role this factor may have played in favoring 3-year voucher students:

> … the 3-year [voucher] scholarship students in our sample may have had more experience in formal schools than students in the other groups. Or, parents who were sufficiently interested and motivated to obtain a scholarship for their children to attend private kindergarten may be more involved, interested, and supportive of their children's education than other parents.[57]

Moreover, it is entirely possible that some Cleveland families actually chose the voucher program for 1997-98 specifically because it gave them access to kindergarten opportunities that were not available in the public schools.

Second, despite the advantage that students in the 3-year voucher group had entering first grade, *both* groups of public school students made greater gains over the course of the two years that were studied—and one public school group actually caught up with the 3-year voucher students.

Third, and most importantly, Metcalf concluded that the analysis of student test results from voucher schools and public schools *"presented no clear or consistent pattern tha[t] can be attributable to [voucher] program participation."*[58] Echoing this view, officials at the Ohio Department of Education summed up the study in distinctly lukewarm terms, noting that voucher students "perform at a similar academic level as public school students."[59]

The study's author wrote that the findings "presented no clear or consistent pattern" that was "attributable to [voucher] program participation."

One issue that emerges from the latest Cleveland evaluation—released in early September—is that the voucher student population is not representative of the city's school population from which it is drawn. Metcalf found that the voucher students were disproportionately white, and that this phenomenon increased over the course of the study. Although only 16 percent of the public school non-applicant sample were white, nearly 30 percent of the voucher students were white at the start of the study. This imbalance was further accentuated when 59 percent of those entering the voucher program in second grade were white. By this point, the voucher group was also notably less poor than the public school students. This is consistent with concerns that vouchers are likely to exacerbate racial segregation and other inequalities in U.S. schools.[60]

Two 1999 reports by voucher proponents purported to show that vouchers will, in fact, integrate, rather than segregate, private schools. However, available evidence does not corroborate this view. For example, a study cited by the voucher proponents claims that voucher students are more likely than public school students to attend a school whose racial composition is representative of the community-at-large. This claim was based on an apples-to-oranges comparison of Cleveland metropolitan data—which includes suburban schools—with the Cleveland school district. However, suburban schools are *not* participating in the voucher program. By using the relevant apples-to-apples comparison of Cleveland city school data and utilizing the guidelines set up under the desegregation order that applies to the city's public schools, Cleveland public school students are about *four times* more likely to attend integrated schools than voucher students.[61]

7. How do vouchers affect religious liberty?

Voucher opponents contend that voucher programs threaten students' religious liberty and violate the separation of church and state. The face value of vouchers—a maximum of $2,250 per student—has attracted mainly religious schools, whose tuition rates are often kept low by subsidies from churches or other institutions. As a result, voucher parents' choices are limited largely to religious schools, and Ohio taxpayers, in effect, are subsidizing religion. During the 1996-97 school year, 77 percent of voucher students attended 46 religious schools, 35 of which were Catholic.[62] By 2000, more than 80 percent of private schools accepting voucher students were religious, and approximately 96 percent of all vouchers were routed to these schools.[63] By the end of the 1998-99 school year, the city's Catholic schools had received $3.3 million for voucher students, even as their overall enrollment continued to decline. This led two investigative reporters for the *Akron Beacon Journal* to observe that "the voucher program merely slowed an exodus from Cleveland's Catholic schools to the city's public schools."[64] Additionally, students attending religious schools generally cannot opt out of religious worship or activities.[65] Hence, in order to benefit from the voucher program, students must participate in religious activities even if these activities are contrary to their own or their families' beliefs.

Voucher parents' choices are limited largely to religious schools, and Ohio taxpayers, in effect, are subsidizing religion.

In December 2000, the U.S. Court of Appeals for the Sixth Circuit acknowledged this fact in noting that the "mission statements of these [voucher] schools reflect that most believe in interweaving religious beliefs with secular subjects. The sectarian schools also follow religious guidelines, including instruction in religion and mandated participation in religious services...." The court cited examples of voucher schools' mission statements, including one school that requires students to "pledge allegiance to the Christian flag and to the Savior for whose Kingdom it stands, One Savior crucified, risen and coming again with life and liberty for all who believe." Another voucher school believes that "the one cardinal objective of education to which all others point is to develop devotion to God as our Creator, Redeemer, and Sanctifier." The court found that "[t]his scheme involves the grant of state aid directly and predominantly to the coffers of the private, religious schools, and it is unquestioned that these institutions incorporate religious concepts, motives, and themes into all facets of their educational planning."[66]

As a result, the U.S. Court of Appeals upheld a lower court ruling that permanently enjoined the Cleveland voucher program on the grounds that it unconstitutionally advances religion, finding that "when, as here, the government has established a program...which restricts [student] choice to a panoply of religious institutions and spaces with only a few alternative possibilities, then the Establishment Clause is violated."[67] The State of Ohio and voucher advocates represented by the pro-voucher Institute for Justice requested in May 2001 that the U.S. Supreme Court review the case.[68] The Bush administration filed a brief supporting the request, and a decision from the Court on whether to take the case is expected by October 1.

Conclusion

Over the last decade, while Ohio's public schools drew national attention for having the most deteriorated buildings in the country and for maintaining one of the most inequitable systems of school funding, the state has been spending $600 for every *private* school student in the state. Meanwhile, rather than addressing the real problems and needs of the public schools, the legislature has chosen to reaffirm its support for the Cleveland voucher program, which has cost millions of dollars with no demonstrable impact on educational achievement.

When the legislature launched the voucher program, it funded the costs by depleting the very kind of aid that is specifically designed to help poor and at-risk students in the public schools. On top of that, for the last three years, the city's schools have had to provide and pay for the transportation of voucher students from their own budget. These transportation costs, combined with a loss in Disadvantaged Pupil Impact Aid, will cost the Cleveland Municipal School District more than $10 million this school year, a cost incurred for 4,266 students who don't even attend the public schools—and *many of whom never did.* Despite claims by voucher proponents, the official audit of the voucher program found that savings to the public schools when students transfer to voucher schools do *not* compensate for the money public schools lose in per-pupil funding.

Sold to legislators and the public as a program to benefit poor kids who were attending public schools, the voucher program has failed to fulfill this goal. The legislature has *never* placed an income cap on eligibility, and the courts have determined that nearly 40 percent of voucher students come from families above the poverty line—and one-third of all voucher students were already attending private schools. Moreover, there is no credible evidence demonstrating that vouchers offer an academic advantage over public schools. In fact, the most recent state-commissioned evaluation released earlier this month shows public school students making greater gains over the two years of the study than voucher students achieved. For five full years, Ohio taxpayers have funded a program that is long on promises, but short on accountability.

ENDNOTES

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[1] Doug Oplinger and Dennis J. Willard, "Voucher system falls short of goals," *The Akron Beacon Journal*, December 14, 1999.

[2] Randy Ludlow, "Parents who benefit hail school vouchers," *Washington Times*, September 30, 1996.

[3] "The Cleveland Voucher Program: Who Chooses? Who Gets Chosen? Who Pays?" A Report by the American Federation of Teachers, 1997.

[4] Ibid; Ohio Department of Education.

[5] In FY 1998, $5,953,254 was expended on Cleveland vouchers from a line item in the state budget. The remainder of the $35.1 million in Cleveland Scholarship and Tutoring Program (CSTP) expenditures has come from the DPIA. Ohio Department of Education, Cleveland Scholarship and Tutoring Program, Final Expenditures for Fiscal Years 1996-2000.

[6] CSTP provides vouchers for private-school students and tutoring grants for public school students. Since 1996, the cost to CSTP for vouchers has been $28.1 million. This figure includes costs for transportation from 1996-98 only (since 1998, transportation costs have been borne by the Cleveland City Public School district). The amount of $28.1 million does not include any of the administrative costs of the Cleveland Scholarship and Tutoring Program, which totaled $5.6 million for the period. Assuming that the voucher and tutoring components' respective share of administrative costs are proportionate to their programmatic costs, the total

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CSTP costs for the voucher program would be $33.4 million. Cleveland Municipal School District costs for transporting voucher students are not less than $500 per student per year. With 4,266 voucher students in 2001-2002, transportation costs will exceed $2 million. Ohio Department of Education, Cleveland Scholarship and Tutoring Program, Final Expenditures for Fiscal Years 1996-2000; phone conversation with the Transportation Division of the Cleveland Municipal School District, September 20, 2001.

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[8] Michael Hawthorne, "State Aid to Private Schools Up: Public Districts Feel Slighted," *Cincinnati Enquirer*, March 29, 1998.

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[10] "Voucher System Falls Far Short of Goals," *Akron Beacon Journal*, December 14, 1999; Michael Hawthorne, "State Aid to Private Schools Up: Public Districts Feel Slighted," *Cincinnati Enquirer*, March 29, 1998.

[11] "Charter Schools Seek Boost," *Akron Beacon Journal*, April 5, 2001.

[12] Greg F. Orlofsky and Lynn Olson, "State of the States," *Education Week*, January 11, 2001, pp. 104, 166.

[13] Doug Oplinger, "Court to State: Spend More, Legislators Balk at Cost; Showdown is Possible," *Akron Beacon Journal*, September 7, 2001.

[14] "Voucher System Falls Far Short of Goals," *Akron Beacon Journal*, December 14, 1999.

[15] Analysis of data from the Ohio Department of Education, Cleveland Scholarship and Tutoring Program, Final Expenditures for Fiscal Years 1996-2000; "State Aid to Private Schools Up: Public Districts Feel Slighted," *Cincinnati Enquirer*, March 29, 1998, pp. 3-4.

[16] "Cleveland Scholarship and Tutoring Program: Final Management Study," Prepared by KPMG LLP, September 9, 1999, p. 9-5.

[17] Ohio Stat. §3317.029.

[18] Data includes prorated share of the Cleveland Scholarship and Tutoring Program's administrative costs. Total costs of the program from 1996-01 were $35.1million. Of that amount, approximately $6 million came from direct state funding in FY 1998. Of the remaining $29.1 million, approximately $27.6 million paid for the voucher program, while $1.5 million paid for the tutoring portion of the Cleveland Scholarship and Tutoring Program. Thus, we can make the assumption that the $5.5 million in program administrative costs was proportionally attributable to the voucher and tutoring components based on their relative program costs. Analysis of data from the Ohio Department of Education, Cleveland Scholarship and Tutoring Program, Final Expenditures for Fiscal Years 1996-2000; "The Cleveland Voucher Program: Who Chooses? Who Gets Chosen? Who Pays?" A Report by the American Federation of Teachers, 1997, p. iii-iv.

[19] "The Cleveland Voucher Program: Who Chooses? Who Gets Chosen? Who Pays?" A Report by the American Federation of Teachers, 1997, p. ii.

[20] It costs the city schools about $500 per student for transportation. The costs for the city to transport voucher students exceed that amount for the reasons mentioned. No specific cost estimates are available. Telephone conversation with the Transportation Division of the Cleveland Municipal School District, September 20, 2001.

[21] Ibid.

[22] "The Cleveland Voucher Program: Who Chooses? Who Gets Chosen? Who Pays?" A Report by the American Federation of Teachers, 1997, pp. i-iii.

[23] "Cleveland School Vouchers: Where the Students Come From," Cleveland OH: Policy Matters Ohio, September 2001.

[24] *Doris Simmons-Harris v. Dr. Susan Tave Zelman*. United States Court of Appeals for the Sixth Circuit, Case #99-4037.

[25] Jim Petro, "Cleveland Scholarship and Tutoring Program: Special Audit Report, July 1, 1995 through June 30, 1998," Auditor of State, State of Ohio, Supplement to the Special Audit Report, pp. 4, 13; Auditor of State Press Release "Petro Issues Special Audit of Cleveland Voucher Program."

[26] "More Schools Cash in on Vouchers: State Legislation Would Expand Disputed Program," *Akron Beacon Journal*, April 4, 2001; "Charter Schools Seek Boost," *Akron Beacon Journal*, April 5, 2001.

[27] "In Education, Money Talks: David Brennan's White Hat Management Changes the Way Business, Politics and School Vouchers Mix," *Akron Beacon Journal*, December 13, 1999; David Brennan, a voucher advocate has helped shaped the Cleveland legislature for adopting vouchers. Brennan's Education Management

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Organization runs 16 of Ohio's 48 charter school, enrolling more than 3,200 students and controlling 45 percent of state and local funds.

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[30] "Statistical Analysis Report: Private Schools in the United States: A Statistical Profile, 1993-1994." National Center for Education Statistics, U.S. Department of Education, OERI, July 1997, p. 74.

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[42] Cleveland Scholarship and Tutoring Program, Audit conducted by Deloitte & Touche LLP, Cleveland, Ohio, September 1997, pp. 13, 10 (for estimates of transportation costs).

[43] Jim Petro, "Petro Issues Special Audit of Cleveland Voucher Program," Press Release, Auditor of State, State of Ohio, January 5, 1999.

[44] Kim K. Metcalf, "Evaluation of the Cleveland Scholarship and Tutoring Grant Program 1996-1999," Bloomington, IN: The Indiana Center for Evaluation, Indiana University, 1999.

[45] ibid, pp. 14-16. Metcalf's 1999 study uses two types of analysis. The first one takes into account students' background characteristics and academic achievement prior to entering the voucher program. Voucher students in established private schools demonstrated no test score advantage over their public school peers in reading, math or social studies. However, measurable gains by these students were made in language arts and science. The second analysis takes into account classroom characteristics such as class size, teacher experience and education level. There were no statistically significant differences in reading, math, social studies, language or the overall scores. Voucher students scored better in science, by 2.2 percentile points (38.3 versus 36.1). In contrast, voucher students attending newly established private schools had lower scores in all five subjects and overall in both analyses (with and without classroom characteristics).

[46] ibid.

[47] Legislative Office of Education Oversight, "Memo to the members of the Legislative Committee on Education Oversight, RE: Evaluation of Cleveland Scholarship and Tutoring Program, July 23, 1998.

[48] ibid.

[49] ibid.

[50] Kim Metcalf, "Advocacy in the Guise of Science," *Education Week*, September 23, 1998.

[51] ibid.

[52] Legislative Office of Education Oversight, "Memo to the members of the Legislative Committee on Education Oversight, RE: Evaluation of Cleveland Scholarship and Tutoring Program, July 23, 1998.

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[53] Kim Metcalf, "Evaluation of the Cleveland Scholarship Program, 1998-2000: Technical Report." Bloomington IN: Indiana Center for Evaluation, Indiana University, September 2001.
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[57] Kim Metcalf, "Evaluation of the Cleveland Scholarship Program, 1998-2000: Technical Report." Bloomington IN: Indiana Center for Evaluation, Indiana University, September 2001, p. 58.
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[59] "Ohio Takes a National Lead in Choice Study," Ohio Department of Education, September 4, 2001, accessed via: www.ode.state.oh.us.
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[61] The court-ordered desegregation guideline determines that schools should be within 15 percent of the citywide average demographic, which is 70.4 percent African American. Schools with a student body between 55-85 percent African-American students would be in compliance. Using the data from the study and seeking to prove greater integration ("Choice and Community: The Racial, Economic and Religious Context of Parental Choice in Cleveland," by Jay P. Greene, for the Buckeye Institute for Public Policy Solutions: Columbus, OH, November 1999), approximately 43 percent of public school students attend schools that fit this category, compared to only 11 percent of the voucher sudents. For a complete analysis of the claims of increased racial integration in voucher schools, see "Apples vs. Oranges: A Critique of Two Flawed Studies of Vouchers & Integration," by Elliot M. Mincberg and Dwight R. Holmes, People For The American Way Foundation, December 23, 1999, pp. 2-3.
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The Equity Impact of Arizona's Education Tax Credit Program: A Review of the First Three Years (1998-2000)

Research Report

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The Equity Impact of Arizona's Education Tax Credit Program: A Review of the First Three Years (1998 – 2000)

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Executive Summary

Research Findings

In 1997, the Arizona legislature enacted an education tax credit with two components: a private school tuition tax credit and a public school extracurricular activity tax credit. The law grants state taxpayers a dollar-for-dollar credit against their state income tax liability for contributions to School Tuition Organizations (STOs), which in turn, award tuition grants to students to use at private primary or secondary schools. Under the law STOs are to grant 90% or more of their revenue in the form of private school tuition grants. A similar provision provides a $250 tax credit for donations to public schools for extracurricular activities that require a student fee.

Arizona's private school tuition tax credit program is expensive and does relatively little to help poor students. The primary recipients of private school tuition tax credit money are families whose children are already enrolled in private schools. The financial and non-financial barriers to private schooling and price effects associated with private school tuition makes it unlikely that many poor students move from public to private schools because of assistance from the private school tuition tax credit program. Over the three years of the public school extracurricular activity tax credit, the wealthiest 25% of public schools received more than five times as much money from the program as the poorest 25% of public schools.

Recommendations

- Legislators should consider repealing the Arizona education tax credit law altogether—both the private school tuition tax credit and the public school extracurricular tax credit.

- The information and reporting requirements for school tuition organizations should be strengthened (for example, whether a student receiving a tuition grant is switching from a public to a private school, what public school the student is transferring from, family income, etc.).

- Legislators should amend the Arizona private school tuition tax credit to make eligibility for a tuition grant dependent on level of income.

Introduction

Education tax credits are a relatively new policy instrument that uses the tax system to support school choice. Over the past decade, 12 states have considered various education tax credit proposals. Arizona, Florida, Illinois, Iowa, Minnesota, and Pennsylvania have enacted education tax credits into legislation.[1]

Proponents claim that education tax credits will give low-income students the opportunity to attend private schools and that tax credits will improve all schools, both public and private, by increasing competition between schools for students.[2]

Opponents argue that because access to education tax credit revenue is not equitably distributed, i.e., that children from poor families are less likely to benefit from tax credits than children from higher-income families, and because wealthier families are more likely to take advantage of the tax credit program than low-income families, education tax credits disproportionately help the wealthy more than the poor.[3]

History Of Arizona's Education Tax Credit Program

In Arizona's first regular legislative session in 1997, House bill 2074 entitled "Tax credit: school tuition organization" was passed and signed into law on April 7, 1997 by then Arizona Governor Fife Symington. The new law, Arizona Revised Statutes § 43-1089, created an education tax credit with two components: a private school tuition tax credit and a public school extracurricular activity tax credit.

The law was immediately challenged in a lawsuit (*Kotterman v. Killian*) alleging a violation of the First Amendment's requirement of separation between church and state. The Arizona law (A.R.S.§ 43-1089) was upheld by a 3 to 2 vote of the Arizona Supreme

Court in the spring of 1999. The decision was appealed to the U.S. Supreme Court; however, on October 4, 1999, the U.S. Supreme Court declined to review the case, and in doing so, expressed no opinion as to the merits of the appeal.

The Structure Of Arizona's Education Tax Credit Program

Arizona's private school tuition tax credit grants Arizona taxpayers a dollar-for-dollar credit against their state income tax liability for contributions to school tuition organizations (STOs). Under the law, STOs are non-profit organizations that receive tax credit funds and distribute tuition grants to students for use at qualified private primary or secondary schools.[4] The private school tuition tax credit statute currently allows a tax credit of up to $500 for a single individual/head of household and up to $625 for married couples filing a joint return. Tax credit claimants are allowed to carry forward the amount of the credit for up to five years.

A.R.S.§ 43-1089 puts few limits on how the proceeds from this tax credit may be used. The major restrictions are: that taxpayers claiming this credit may not designate their contribution for their own dependents; that STOs shall distribute at least 90 percent of their annual revenue for "educational scholarships" or "tuition grants;" and that STOs shall make scholarships or grants available to students of more than one school.[5]

A similar tax credit, currently limited to $250, is available for public schools. These tax credit funds, however, may only be used for extracurricular activities that require a student fee. Examples provided in the statute include band uniforms, equipment, or uniforms for varsity athletic activities, and scientific laboratory materials[6]. Initially, public schools did not qualify to receive tax credit funds because the legislative bill restricted the tax credit to "a nongovernmental primary or secondary school of the parents choice."[7] As a compromise with opponents of the legislative bill, the legislation as enacted included a $200 tax credit for K-12 public schools. Tax credit proponents described the public school tax credit as being designed to attract greater support for the measure in the legislature and with the public.[8]

Both the private school tuition tax credit and the public school extracurricular activity tax credit may be claimed each year. Therefore, a married couple filing jointly may claim up to $875 per year.[9]

Purpose Of The Private School Tuition Tax Credit

In an April 9, 2000 story, *The Arizona Republic* reported, "supporters of the credit for private schools scholarships, including Rep. Mark Anderson, R-Mesa, who sponsored the legislation, touted it as a way to send kids to private school *who otherwise couldn't afford to go*." [italics added][10] Lisa Graham Keegan, former Arizona State Superintendent of Public Instruction, wrote:

> With its [Arizona Supreme Court] ruling that Arizona's private school tuition tax credit was constitutional at both the state and federal level, the court had affirmed that true educational choice--choice involving public, private, and religious schools--could be accomplished in a manner which was responsive to the needs of *disadvantaged students and their families* without encroaching on fundamental First Amendment issues.... Predictably, this approach to allowing *disadvantaged students* such access to funds for private education created an uproar among the educational bureaucracies.... The tuition tax credit allows us to further expand choice to include private education, which is a venue that has not traditionally been available to *poor and disadvantaged families*. [italics added][11]

Arizona Supreme Court Chief Justice Thomas B. Zlaket, in the 3-2 majority opinion upholding the tax credit statute, wrote: "until now, *low income parents* may have been coerced into accepting public education.... Arizona's tax credit achieves a higher degree of parity by making private schools more accessible and providing alternatives to public education." [italics added][12]

In its ruling, the Arizona Supreme Court adopted the argument that Arizona's private school tuition tax credit law was enacted to promote educational equity by providing financial assistance to low-income families whose children currently attend public schools and who wish to send their children to private schools. Therefore, the success of Arizona's private school tuition tax credit law should be judged by how well it meets this standard.

The Revenue Consequences Of Arizona's Tax Credit Legislation

To government budget analysts, fiscal instruments such as tax credits and tax deductions are considered tax expenditures. Tax expenditures are specific exceptions from the tax code designed to support specific entities, activities, behaviors, or classes of persons.[13] Surrey and McDaniel characterized tax expenditures in this way:

> Whatever their form, these departures from the normative tax structure represent government spending for favored activities or groups, effected through the tax system rather than through direct grants, loans, or other forms of governmental assistance.... These tax reductions in effect represent monetary assistance provided by the government (p. 3).[14]

In considering the fiscal impact of Arizona's private school tuition tax credit law, it is important to understand the difference between a *tax deduction* and a *tax credit*. Since tax deductions for general charitable giving reduce taxable income upon which tax liability is calculated, the government and the individual share in the costs of charitable giving. In this way, tax deductions act to increase the level of private philanthropic giving.

Arizona's private school tuition tax credit, unlike a tax deduction, provides a dollar-for-dollar reduction in the tax liability to those who utilize it. For this reason, taxpayers using Arizona's private school tuition tax credit do not incur any private cost whatsoever. As a result, Arizona's private school tuition tax credit does not act to promote additional private charitable or philanthropic giving. Instead, Arizona's private school tuition tax credit functions to allow self-selected taxpayers to redirect funds to a private entity of their choosing that would otherwise flow into state accounts.

The cost to Arizona in lost tax revenue from the Arizona education tax credit program over its first three years has been significant. The total tax revenue lost to any other governmental purpose is approximately $74.3 million for the first three years of the program. If one conservatively estimates 2001 education tax credits claimed at the same dollar amount as in 2000, then the four-year program cost to the state will be approximately $109.4 million.

Table 1: Total tax credits taken under Arizona's Education Tax Credit Program 1998-2000

	1998	1999	2000	Total
Public Schools	$8,990,042	$14,775,353	$17,514,774	$41,280,169
Private Schools	$1,816,299	$13,706,611	$17,542,662	$33,065,572
Total	$10,541,559	$28,481,964	$35,057,436	$74,345,741

Source: Arizona Department of Revenue

The Attractiveness Of Tax Expenditures

One of the reasons that tax expenditures, such as Arizona's private school tuition tax credit, are attractive to legislators is that they allow legislators to support programs without having the impact of their actions subjected to the sort of public notice and scrutiny that is typically applied to direct spending programs. Perhaps for this reason the Arizona legislature has made wide use of tax expenditures, having passed more than 100 such exemptions to the state sales tax over the past 10 years.[15] In the case of Arizona's private school tuition tax credit, the use of school tuition organizations (STOs) as intermediaries allows the state to ensure that tax dollars go to private and religious schools without the use of direct appropriations or expenditures. This indirect process attempts to satisfy constitutional objections based on the First Amendment concern of separation of church and state. For this reason, critics sometimes refer to tuition tax credits as "in essence a voucher in sheep's clothing."[16]

In general terms, supporters of education tax credits have often argued that parents of children in private schools are being taxed twice, in that they must pay taxes that go to public schools as well as pay their own child's private tuition.[17] In this view, an education tax credit merely helps to remedy an unfair situation for the parents of private school students. This argument raises significant policy issues. Logically, the argument could be extended to anything that government provides but is available privately.[18] For example, although a portion of a person's taxes pay for law enforcement, if a person lives in a gated community with a private security service, should that person receive a tax credit for the police services that he or she obtains from private sources? If a person chooses to drink bottled water instead of drinking municipal water from the tap, should that person receive a tax credit for the bottled water they purchase from private sources?[19]

Strictly speaking, the Arizona private school tuition tax credit doesn't go directly to the parent paying tuition for his or her children to attend a private school. However, the practical effect is almost the same. The private school tuition tax credit may be taken by any taxpayer, with or without a child in school. A taxpayer writes a check to a school tuition organization (STO). The amount sent to the STO is refunded back to the taxpayer, dollar-for-dollar, by reducing the taxpayer's state income tax owed. Parents apply to STOs for tuition grants to send their children to particular private schools. The STOs decide which applicants receive grants and how much the applicant will receive. The private school tuition tax credit law allows taxpayers claiming a credit to designate their tax credit funds for a specific student as long as the designee is not the taxpayer's dependent. This permits families to designate their tax credits for an acquaintance's child with the understanding that the acquaintance will reciprocate. It is not clear how widespread the practice of cross-designation is, but *The Arizona Republic* reported that in some STOs that allow funds to be earmarked for specific students, the funds are "going almost exclusively to children already in private school, regardless of financial need."[20]

Whether or not government should be providing financial aid for goods and services purchased privately, but available publicly, involves differing conceptions of the role of government. It is likely, however, to become increasingly important for Arizonans to have an open and thorough debate over these competing visions.

Constitutional and ideological issues aside, a structural problem with Arizona's private school tuition tax credit program is that there is no limit on how much money the program could cost the state in a given year. The extent to which the private school tuition tax credit is taken in a particular year is unknown until the tax year is over and the credits taken are counted up. An open-ended, indeterminate program that diverts tax revenue away from the state treasury may not be prudent, especially in times of fiscal need.[21]

Does Arizona's Private School Tuition Tax Credit Harm Public Schools And The

Students They Serve?

It has been argued that market forces resulting from competition for students between public and private schools would help drive public school improvement. Tax credit opponents argue, however, that public school improvements would likely be attenuated by diminishing funds. They reason that the marginal costs of adding additional students to a school are expected to be less than the state aid paid per student in cases where additional classrooms or teachers are not needed to accommodate the increases in enrollment. Reductions in enrollment will have the opposite effect. Schools cannot reduce fixed costs in an amount equal to losses in state aid when a handful of students leave several different classrooms. As a result, public schools' finances are stretched further and their ability to educate their remaining students is weakened. Thus far, the empirical evidence is inadequate to make a definitive assessment of whether public schools are being harmed as a result of Arizona's private school tuition tax credit program.

Is Arizona's Private School Tuition Tax Credit Likely To Provide Increased Access To Private Schools For Poor Children?

For families who want to enroll their children in private schools, there are several barriers that must be overcome.

- Tuition cost is, of course, a major barrier for low-income families who want to enroll their children in private schools.
- A second barrier are the costs associated with private schools that are not included in the tuition charges, such as: fees for books, supplies, uniforms,

and extracurricular activities. These ancillary costs add to the financial difficulty for low-income families.

- A third barrier confronted by poor families who wish to enroll their children in private schools is that private schools, unlike public schools, are allowed selectivity in admissions. Criteria used for private school admission are often factors such as previous academic performance (test scores), personal skills/achievements, and connections to the school (siblings attending, etc.). These criteria operate against children living in poverty.
- The fourth barrier faced by low-income families who want to enroll their children in private schools is that they may be the "wrong" religion for the school they want their children to attend. The Arizona private school tuition tax credit statute prohibits schools from discrimination on the basis of race, color, handicap, familial status, or national origin.[22] The law does not prohibit discrimination on the basis of religion.[23] Currently, many school tuition organizations (STOs) distribute scholarships only to schools affiliated with specific religions or religious beliefs.
- A fifth barrier facing poor families that wish to send their children to private schools is transportation. Private schools do not commonly provide transportation services to their students. For those who require some sort of transportation to school (those further than walking or bicycling distance), there are additional monetary costs (school transportation fees, public transit fees, etc.) as well as nonmonetary costs (additional time

costs to the parents and/or students).

Tuition is thus, only one of a number of barriers, some financial and some non-financial that, taken together, put private schools beyond the reach of poor families.[24] Since it provides only tuition support, Arizona's private school tuition tax credit might be expected to disproportionately benefit more well-off students, rather than low-income children as its supporters intended.

The Economies Of Private School Demand

The Arizona private school tuition tax credit program, in effect, attempts to lower the price of private education in Arizona. Economic theory suggests that as a result there will be an increase in demand for private education and a reduced demand for substitutes such as public education. Thus, a reduced price for private schooling is expected to result in increased enrollment in private schools. Economists refer to this as a "price effect," that is, the effect that a change in price has on the amount of a good or service demanded.

James and Levin reason that there is no single price effect associated with a tuition grant. A family's response to a tuition grant depends greatly upon current family wealth. For example, there are probably many families that are wealthy enough to switch to private schools without financial aid, but who are satisfied with their children's public schooling.[25] We may also assume that many low-income families, even with the financial assistance of an STO tuition grant, would still not be able to afford to enroll their children in private schools. If this is the case, then it follows that most of the increased enrollment demand for private schooling will take place in the middle-income range.

Thus, price effect mechanisms coupled with the various financial and non-financial barriers that poor families face suggest that Arizona's private school tuition tax credit will disproportionately benefit well-off students rather than lower-income students.

Assessing The Benefits And Costs Of The Private School Tuition Tax Credit

In the following sections, estimates of the efficiency with which the Arizona tuition tax credit program assists students to leave public schools and enroll in private schools are calculated. Estimates of the number of poor students benefiting from the tax credit program are also calculated. These estimates will allow a judgment to be made regarding the efficiency and equity of the private school tuition tax credit component of the Arizona education tax credit program.

Through checks of private schools' websites and telephone calls to private schools, tuition charges for 96 private schools in Arizona were obtained. Private school tuition costs for 2000-2001 are listed in Table 2.

Table 2: Private School Tuition in Arizona 2000-2001

	N	Median	Mean	Standard Deviation
Elementary Schools	44	$3,175	$3,994	$1,447
Middle/Jr. High Schools	35	$3,600	$4,561	$2,439
High Schools	17	$5,850	$6,664	$2,979

Sources: Schools' websites and phone calls to schools

Table 3 illustrates the per capita tuition grant amount awarded for each of the three years of the program. In 2000, the per capita tuition grant award amount was $855.81.

Table 3: STO Tuition Grant Data 1998-2000

	1998	1999	2000	3-year Program Totals
Number of tuition grants awarded	326	3,726	15,238	19,290

Total amount awarded	$147,470	$2,377,319	$13,040,812	$15,565,601
Per Capita amount awarded	$452.36[26]	$638.04	$855.81	$806.93

Source: Arizona Department of Revenue

Taking the median tuition charge for elementary schools and dividing by the per capita tuition grant amount shows that the year 2000 per capita tuition grant amount of about $856 covered approximately 27 percent of the median tuition charge of $3,175 for private elementary schools in Arizona. For the higher tuitions of middle/junior high schools and high schools, $856 would correspond to about 19 percent and 15 percent respectively (see Table 4).

Table 4: Percentage of Private School Tuition Covered by $856 Per Capita Award Amount 2000

	Median tuition cost 2000-2001	Percentage of tuition covered by Per capita award amount
Elementary Schools	$3,175	27.0%
Middle/Jr. High Schools	$3,600	18.8%
High Schools	$5,850	14.6%

Sources: Arizona Department of Revenue, schools' websites and phone calls to schools , and author's calculations

Applying the price effect mechanism to the relatively low amount of the per capita tuition grant suggests that few poor families will be able to move their children from a public school to a private school by means of Arizona's private school tuition tax credit program.

The U.S. Department of Education's National Center for Education Statistics (NCES) estimated that in the fall of 1999 (latest estimate available) there were 44,060 students enrolled in private elementary and secondary schools in Arizona.[27] NCES estimates indicate that private school enrollment in Arizona has been very stable over the past several years (41,957 in 1993 and 44,991 in 1997).[28] Considering that the 19,290 students who received tuition grants in the three years from 1998 to 2000 (15,238 in

2000) represent nearly 44 percent of the annual Arizona private school enrollment, it is likely that a substantial proportion of these tuition grants were provided to students already enrolled in private schools. Thus, a considerable percentage of the tuition grants awarded by STOs are likely to be going to families with children already enrolled in private schools.[29] A precise percentage is impossible to calculate because STOs are not required to report the number of tuition grants going to students that are transferring from public to private schools.

How Many Poor Children Are Helped To Leave Public Schools By Arizona's Private School Tuition Tax Credit?

Target efficiency is a criterion measure used by economists to judge the efficiency of public spending programs. For the Arizona private school tuition tax credit, target efficiency quantifies the proportion of the total cost of the private school tuition tax credit that moved children from public schools to private schools. Thus, the target efficiency of the private school tax credit in increasing private school access is defined as the proportion of the total cost of the tuition tax credit received by families who actually switch from public schools to private schools. Note: these families are not necessarily low-income families. Children that move from public schools to private schools are referred to as "switchers."[30] Money from the Arizona private school tuition tax credit program received by families whose children *do not* switch from public to private schools are obviously students already enrolled in private schools. Therefore, high target efficiencies indicate that greater proportions of tuition tax credit resources are going to switchers and lower target efficiencies mean that smaller proportions of tuition tax credit resources are going to switchers.

According to Belfield, target efficiencies for tuition tax credits tend to be very low, meaning that tuition tax credits appear to primarily benefit those already enrolled in private schools. Belfield's literature review reveals that target efficiencies have been estimated by various researchers to range from less than 5 percent to no more than 15 percent.[31] That is, only 5 to 15 percent of tuition tax credit revenue recipients will be switchers. The Cato Institute, a strong advocate of tuition tax credits, estimated a range for the target efficiency of Arizona's private school tuition tax credits at between 15 and 30 percent. For its calculations and projections, however, the Cato Institute paper utilized 20 percent as the target efficiency for Arizona's private school tuition tax credits.[32] Thus, the full range of estimates for the target efficiency of tuition tax credits runs from less than 5 percent up to 30 percent. For this analysis, the Cato Institute's target efficiency estimate of 20 percent will be used.

The private school tuition tax credit component of Arizona's education tax credit statute requires that at least 90 percent of a school tuition organization's (STO) proceeds be spent in the form of tuition grants. Therefore, as much as 10 percent of the funds received by an STO may be used to cover the costs such as establishing and incorporating the STO as a non-profit organization, office equipment, employee time, office supplies, and marketing and advertising fees. A survey of STOs conducted by Damore indicated a mixed view of whether 10 percent was an adequate amount for administrative purposes. Of 27 STOs that responded, 11 STOs stated that the amount was more than enough, 10 stated that the amount was about the right amount, and six STOs indicated that the amount was inadequate.[33] It is likely that STOs receiving small amounts under the program might judge 10 percent as inadequate, while those STOs receiving greater amounts are likely to indicate 10 percent as adequate or more than enough. For example, the Catholic Tuition Organization of the Diocese of Phoenix received more than $5.4 million in 2000 and is entitled to use up to $543,721 for administrative purposes while the STO receiving the least (Patagonia Scholarship Fund), took in $5,800 and may use a maximum of $580 for its administrative costs.

Assuming that 5 percent will be adequate for administrative expenses and that 95 percent of the resources received by STOs will be paid out as tuition grants, it is estimated that at a target efficiency of 20 percent, on average, for every dollar of revenue given out in tuition grants over the three years of the program, about 19 cents went to students who moved from public to private schools. Approximately 76 cents of every dollar appears to have gone to families whose children were already enrolled in private schools (See Table 5).

How Much Does It Cost Taxpayers When A Student Switches From A Public School To A Private School?

Assuming that tuition grant resources are evenly distributed among awardees, the cost per student who switches from a public to a private school is calculated by taking the total private school tuition tax credit program cost ($15,565,601) and dividing by the product of the estimated target efficiency (20%) and the number of tuition grants awarded under the program (19,290). By this calculation, it is estimated that at a 3-year program cost of more than $15.5 million, the private school tuition tax credit program has assisted approximately 3,858 students switch from public schools to private schools. Thus, it is estimated that the Arizona private school tuition tax credit program has cost the state about $4,035 for each student who switched from public to private school (See Table 5 for a range of estimates based on different target efficiency estimates).

Table 5: Efficiency Estimates for the Arizona Private School Tuition Tax Credit Under Various Target Efficiency Estimates Assuming 5% Administrative Expenses 1988-2000

Source	Target efficiency estimate from source	Target efficiency used for author's estimates	Estimated average amount going to school switchers	Estimated number of students switching schools as result of program	Estimated total per student program cost for students who switch schools
Bast (2001)	< 5%	5%	About 4.8 cents per dollar	965	$16,130
Frey (1983, 1995)	12-13%	12.5%	About 11.9 cents per dollar	2,412	$6,453
West (1985) and Olsen et al. (2001)	No more than 15%	15%	About 14.3 cents per dollar	2,894	$5,379
Cato Institute [Lips and Jacoby (2001)]	20% was assumed in Cato Institute paper)	20%	About 19.0 cents per dollar	3,858	$4,035
Cato Institute [Lips and Jacoby (2001)]	Range of 15-30%	30%	About 28.5 cents per dollar	5,787	$2,690

Sources: Arizona Department of Revenue, Belfield (2001), Lips and Jacoby (2001), and author's calculations

The stated goal of the Arizona private school tax credit is to provide increased access to private schooling for poor or disadvantaged families. To determine if this goal is being achieved, it is necessary to estimate what proportion of the total amount of the private school tuition tax credit that actually goes to provide increased access to private schools for children of poor families. To judge the efficiency and equity of the Arizona private school tuition tax credit program, an estimate was calculated of the percentage of all low-income public school students that used the tuition tax credit program to switch from public schools to private schools.

According to the U.S. Census Bureau, in 1997, 22.1 percent of related children ages 5 to 17 in Arizona lived in families in poverty.[34] By multiplying Arizona's total 1997 public K-12 school enrollment of 814,113[35] by the school age poverty percentage of 22.1, it is estimated that there were approximately 179,919 Arizona public school students in poverty in 1997. Multiplying the target efficiency of 20 percent by the total number of tuition grants provided under the program over its 3-year life (19,290), we find that about 3,858 students switched from public to private schools with tuition grants from the program. If we assume that *all* of the students who switched from public to private schools were poor, then Arizona's private school tuition tax credit program assisted approximately 3,858 poor students out of a total population of poor K-12 public school students of 179,919. This means that the private school tuition tax credit has helped about 2.1 percent of the poor students attending public schools at a cost to the state of about $15.5 million. Note that it is highly unlikely that *all* students receiving tuition grants were from low-income families. Therefore, 2.1 percent no doubt considerably overstates the percentage of poor public school students that this program has helped.

Does Arizona's Private School Tuition Tax Credit Promote Equity?

Critics of Arizona's private school tuition tax credit program argue that tuition tax credits are unfair because lower-income taxpayers have less access to them than do wealthier taxpayers. Under the law, Arizona's private school tuition tax credit is available to all taxpayers willing to send funds to a school tuition organization and claim the tax credit on their Arizona individual income tax returns. It is clear that all taxpayers do have formal equal access. Critics argue, however, that because low-income taxpayers have less income, they are less likely to have the money available to send to an STO in order to later claim it on their tax returns. To consider the argument that tax credits are unfair because they are less accessible by lower-income individuals and families and more accessible by wealthier individuals and families, we can review the available data on the distribution of Arizona's private school tuition tax credit by the tax credit claimant's level of income. The data on private school tax credit claimants is based on the Arizona Department of Revenue's review of individual tax returns and is available for only the first year of the program (1998). Table 6 presents data on the distribution of 1998 private school tax credits by the claimant's federal adjusted gross income (FAGI). According to the United States Census Bureau, the 1998 median income for a 4-person family in Arizona was estimated to be $49,397.[16] For this analysis, tax credit claimants were placed into two groups based on their federal adjusted gross income: those with a FAGI below $50,000 and those with a FAGI above $50,000, broadly representing lower-income claimants and higher-income claimants respectively. Claimants below $50,000 FAGI accounted for 19.2 percent of the number of private school tuition tax credits taken and 15.9 percent of the total amount. Those with federal adjusted gross incomes above $50,000 took 80.8 percent of the number of the tuition tax credits as well as 84.1 percent of the total value of all the private school tuition tax credits taken.

Table 6: Arizona Private School Tuition Tax Credit Claimants Above And Below $50,000 Federal Adjusted Gross Income (FAGI) 1998

	Total	Below $50,000 FAGI	Above $50,000 FAGI
Number of credits taken	3,548	682	2,866
Percentage of total number of credits taken	100.0%	19.2%	80.8%
Total amount of credits	$1,571,100	$249,655	$1,321,445
Percentage of total amount of	100.0%	15.9%	84.1%

credits taken			
Mean credit amount	$442.81	$366.06	$461.08

Source: Arizona Department of Education and Arizona Department of Revenue[37]

The data in Table 6 are consistent with previous tax credit research that shows tax expenditures, such as tax credits, are much more likely to be claimed by higher-income individuals than by lower-income individuals. These data support the argument that Arizona taxpayers do not have real equal access to the Arizona private school tuition tax credit..

Assessing The Equity Of The Public School Extracurricular Activity Tax Credit

In the following sections, analyses of the distribution of resources from the Arizona public school extracurricular activity tax credit are provided. The available data on the distribution of Arizona public school extracurricular activity tax credit by the tax credit claimant's level of income are also examined. These figures will reveal the degree to which the Arizona public school extracurricular activity tax credit component of the Arizona education tax credit program promotes equity.

Public Schools Findings

School-level data records for 1998 through 2000 on the Arizona public school extracurricular activity tax credit and the free and reduced meal program (F/R meal program) were obtained from the Arizona Department of Revenue and the Arizona Department of Education. These two datasets were matched by schools and the records merged. The dataset was sorted in ascending order by school-level F/R meal program percentages. The schools were then grouped into equal number-of-schools-sized quarters.

This process yielded four groups of schools by relative wealth. For each year, the percentage of students receiving F/R meal assistance ranged from 1 to 100 percent. Summary tables were developed for several items of interest (school characteristics, school basis contribution data, and student basis contribution data). Schools for which there was no tax credit contribution listing and/or no free/reduced meal program data were not included in this analysis. After combining the two data records, the analysis captured 66.2 percent of the money going to the public schools from the public school extracurricular activity tax credit in 1998, 68.9 percent in 1999, and 74.8 percent in 2000. Overall, it should be noted that the results, while reflecting program growth, were relatively stable over the three years of the program. Characteristics of the school quarters formed on the basis of F/R meal program percentages are shown in Table 7.

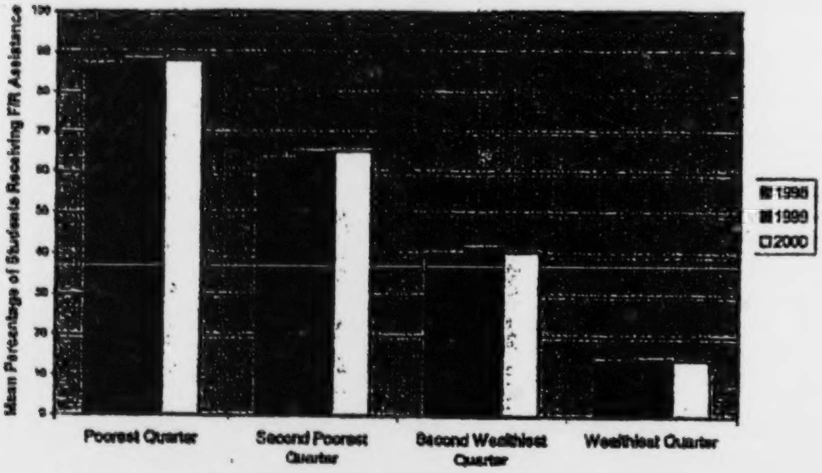
Table 7: Characteristics of Public School Quarters 1998 –2000

	1998	1999	2000
Number of Schools			
All Schools	932	1,008	1,036
Poorest Quarter	233	252	259
Second Poorest Quarter	233	252	259
Second Wealthiest Quarter	233	252	259
Wealthiest Quarter	233	252	259
School Enrollment			
All Schools	674,945	714,591	744,009
Poorest Quarter	143,181	155,579	167,404
Second Poorest Quarter	165,274	166,568	157,280
Second Wealthiest Quarter	168,495	177,680	182,422
Wealthiest Quarter	197,995	214,764	236,903
Percent of Total School Enrollment			
All Schools	100.0	100.0	100.0
Poorest Quarter	21.2	21.8	22.5
Second Poorest Quarter	24.5	23.3	21.1
Second Wealthiest Quarter	25.0	24.9	24.5
Wealthiest Quarter	29.3	30.1	31.8
Mean Percentage of Students Eligible for F/R Meal Program			
All Schools	51.3	52.4	52.1
Poorest Quarter	87.2	88.2	88.3
Second Poorest Quarter	63.4	65.1	65.4
Second Wealthiest Quarter	40.6	41.8	40.6
Wealthiest Quarter	14.1	14.4	14.0
Range of Percentage of Students Eligible for F/R Meal Program			
All Schools	1-100%	1-100%	1– 100%
Poorest Quarter	75-100%	76-100%	77–100%
Second Poorest Quarter	53-75%	54-76%	53–77%
Second Wealthiest Quarter	27-53%	28-54%	27–53%
Wealthiest Quarter	1-27%	1-28%	1– 27%

Sources: Arizona Department of Education, Arizona Department of Revenue, and author's calculations

Table 7 shows the extent of the differences in mean F/R meal percentages between the quarters. The mean percentages of students eligible for the F/R meal program represent relative differences in poverty for a school's student body. The overall mean percentage of students in this dataset eligible for the F/R meal program was 51.3 percent (SD=28.01) in 1998, 52.4 percent (SD=28.28) in 1999, and 52.1 percent (SD=28.66) in 2000. When viewed by quarters, the mean percentage of students eligible for the F/R meal program ranged from 14.1 percent (SD=7.36) in the wealthiest quarter to 87.2 percent (SD=6.94) in the poorest quarter in 1998, from 14.4 percent (SD=7.70) in the wealthiest quarter to 88.2 percent (SD=6.43) in the poorest quarter in 1999, and from 14.0 percent (SD=7.59) in the wealthiest quarter to 88.3 percent (SD=6.68) in the poorest quarter in 2000 (See Chart 1).

Chart 1: Mean Percentage of Students in Quarters Receiving F/R Meal Program Assistance



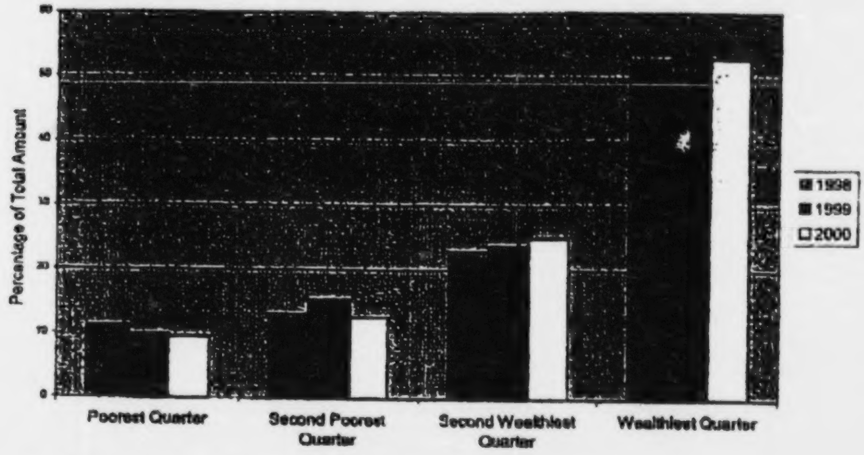
Sources: Arizona Department of Education, Arizona Department of Revenue, and author's calculations

The Arizona public school extracurricular activity tax credit data and the free and reduced meal program data, when merged, accounted for a total of $29,236,422 of the public school extracurricular tax credit taken (70.8% of total) from 1998 to 2000.

Over the three years of the program, the wealthiest 25% of public schools received 148,195 individual tax credits taken (58.6 percent of the total) while the poorest 25% of public schools received 16,626 individual tax credits or 6.6 percent of the public school extracurricular activity tax credits taken (See Table 8 for further details).

The data on the dollar amounts that public schools received tells a similar story of wealthier public schools receiving a disproportionately large share of the resources from this program. From 1998 to 2000, the wealthiest quarter of public schools received 52.2 percent of the resources provided while the poorest quarter of public schools received 10.0 percent of the money from the public school extracurricular activity tax credit program (See Chart 2 and Table 8).

Chart 2: Distribution of Funds from Public School Extracurricular Activity Tax Credit to School Quarters 1998-2000



Sources: Arizona Department of Education, Arizona Department of Revenue, and author's calculations

The resource distribution pattern from 1998 to 2000 resulted in public schools in the wealthiest quarter receiving a per school mean of $20,517 and public schools in the poorest quarter receiving a mean amount of $3,913 per school (See Table 8).

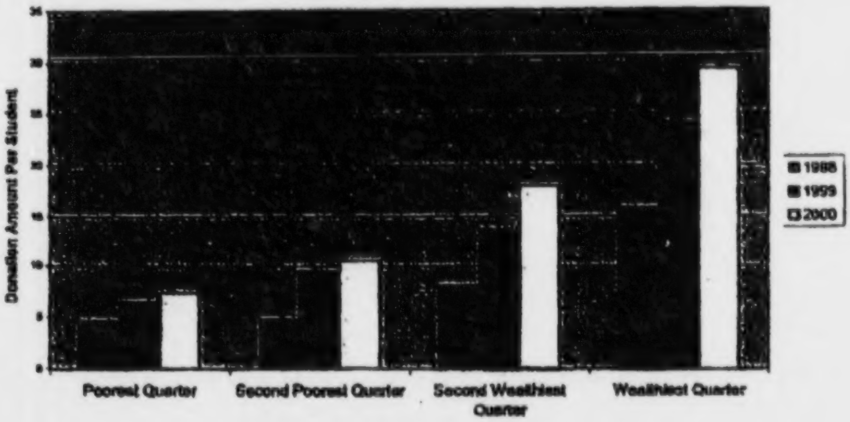
Table 8: School Basis Donation Data 1998-2000

	1998	1999	2000	3-Year Program Total
Tax credit amount				
All Schools	$5,953,253	$10,176,918	$13,106,251	$29,236,422
Poorest Quarter	$662,272	$1,004,889	$1,243,841	$2,911,002
Second Poorest Quarter	$784,627	$1,571,594	$1,647,398	$4,003,619
Second Wealthiest Quarter	$1,362,890	$2,415,892	$3,278,621	$7,057,403
Wealthiest Quarter	$3,143,465	$5,184,543	$6,936,390	$15,264,398
Percentage of total tax credit amount				
All Schools	100.0	100.0	100.0	100.0
Poorest Quarter	11.1	9.9	9.5	10.0
Second Poorest Quarter	13.2	15.4	12.6	13.7
Second Wealthiest Quarter	22.9	23.7	25.0	24.1
Wealthiest Quarter	52.8	50.9	52.9	52.2
Number of tax credits				
All Schools	53,292	78,580	120,894	252,766
Poorest Quarter	4,092	5,762	6,772	16,626
Second Poorest Quarter	6,204	11,101	11,298	28,603
Second Wealthiest Quarter	13,240	19,069	27,033	59,342
Wealthiest Quarter	29,756	42,648	75,791	148,195
Percentage of total tax credits				
All Schools	100.0	100.0	100.0	100.0
Poorest Quarter	7.7	7.3	5.6	6.6
Second Poorest Quarter	11.6	14.1	9.3	11.3
Second Wealthiest Quarter	24.8	24.3	22.4	23.5
Wealthiest Quarter	55.8	54.3	62.7	58.6
Mean per school tax credit amount				
All Schools	$6,727	$10,096	$12,651	$9,824
Poorest Quarter	$3,231	$3,988	$4,802	$3,913
Second Poorest Quarter	$3,503	$6,236	$6,361	$5,381
Second Wealthiest Quarter	$6,030	$9,587	$12,659	$9,486
Wealthiest Quarter	$13,667	$20,574	$26,781	$20,517

Source: Arizona Department of Education, Arizona Department of Revenue, and author's calculations

Similar disparities are evident when the data are presented on a per student basis. Comparing the 3-year program totals for the poorest and wealthiest quarters shows that public schools in the poorest quarter received an average of $6.24 per enrolled student while the public schools in the wealthiest quarter received an average of $23.50, approximately 3.76 times more than the schools in the poorest quarter (See Table 9). The per student amounts for the public school quarters for each year (1998, 1999, and 2000) are shown in Chart 3. The disparity between the poorest and wealthiest quarters' per student amounts has increased with each year of the program. In 1998, the schools in the wealthiest quarter received 3.43 times as much as the schools in the poorest quarter. In 1999, those in the wealthiest quarter received 3.73 times as much as those in the poorest quarter. By 2000, the public schools in the wealthiest quarter received 3.94 times as much as the poorest quarter's schools (See Table 9).

Chart 3: Public School Extracurricular Activity Tax Credit Funds to School Quarters On A Per Student Basis 1998-2000



Sources: Arizona Department of Education, Arizona Department of Revenue, and author's calculations

Table 9: Public School Extracurricular Activity Tax Credit Data On A Student Basis 1998-2000

	1998	1999	2000	3-Year Program Total
Donation Amount per student				
All Schools	$8.82	$14.24	$17.62	$13.70
Poorest Quarter	$4.63	$6.46	$7.43	6.24
Second Poorest Quarter	$4.75	$9.44	$10.47	$8.19
Second Wealthiest Quarter	$8.09	$13.60	$17.97	$13.35
Wealthiest Quarter	$15.88	$24.14	$29.28	$23.50
Number of students per donation received				
All Schools	12.7	9.1	6.2	8.4
Poorest Quarter	35.0	27.0	24.7	28.0
Second Poorest Quarter	26.6	15.0	13.9	17.1
Second Wealthiest Quarter	12.7	9.3	6.7	8.9
Wealthiest Quarter	6.7	5.0	3.1	4.4

Sources: Arizona Department of Education, Arizona Department of Revenue, and author's calculations

As was the case with Arizona's private school tuition tax credit program, critics argue that the public school extracurricular activity tax credit is similarly unfair because lower-income taxpayers have less real access to the credits than do wealthier taxpayers. The available data on public school extracurricular activity tax credit claimants is based on the Arizona Department of Revenue's review of 1998 individual tax returns. An analysis of the distribution of Arizona's public school extracurricular activity tax credit by the tax credit claimant's federal adjusted gross income (FAGI) indicates that claimants below $50,000 FAGI accounted for 23.9 percent of the number of public school extracurricular activity tax credits taken and the 22.9 percent of the total amount. Those with FAGIs above $50,000 took 76.1 percent of the number of the public school extracurricular activity tax credits as well as 77.1 percent of the total value of all the public school tax credits taken (See Table 10).

Table 10: Arizona Public School Extracurricular Activity Tax Credit Claimants Above And Below $50,000 Federal Adjusted Gross Income (FAGI) 1998

	Total	Below $50,000 FAGI	Above $50,000 FAGI
Number of credits taken	36,479	8,703	27,776
Percentage of total number of credits taken	100.0%	23.9%	76.1%
Total amount of credits taken	$6,636,201	$1,518,920	$5,117,281
Percentage of total amount of credits taken	100.0%	22.9%	77.1%
Mean credit amount	$181.92	$366.06	$461.08

Sources: Arizona Department of Education and Arizona Department of Revenue[38]

The Need For Information

At several points during the research, analysis, and writing of this report, it was clear that there was a lack of information available with regard to school tuition organizations' (STOs') receipt and use of funds from the private school tuition tax credit program. Although the Arizona Department of Revenue encourages STOs to report private school tuition tax credit claimants' names and amounts, and their (STOs) allocations of tuition grants,[39] reporting is not required under A.R.S.§ 43-1089, the private school tuition tax credit law. Georganna Meyer, Chief Economist at the Arizona Department of Revenue, confirmed that information reporting by STOs is completely voluntary and if STOs do not report, there is nothing that the state can do to compel them to provide information.[40] Even the information that the Arizona Department of Revenue encourages STOs to provide is inadequate to precisely evaluate the costs and benefits associated with the private school tuition tax credit program. Although some have touted the brevity of the statute as a plus, the lack of any meaningful reporting requirements is clearly a weakness of the law.[41]

Findings

Private School Tuition Tax Credit

1. Arizona's private school tuition tax credit program is expensive and does little to help poor students. The primary recipients of private school tuition tax credit money are families whose children are already enrolled in private schools. It is estimated that approximately 76 percent of private school tuition tax credit grants are going to current private school students.
2. The financial and non-financial barriers to private schooling and price effects associated with private school tuition makes it unlikely that many poor students move from public to private schools because of assistance from the private school tuition tax credit program.
3. Although all families have *formal* access to Arizona's private school tuition tax credit program, actual participation is positively associated with income. For a variety of reasons, those with higher incomes participate in the program in much higher numbers than families with lower incomes.
4. The lack of meaningful reporting requirements in Arizona's private school tuition tax credit law make it difficult to precisely calculate the private school tuition tax credit program effects.

Public School Extracurricular Activity Tax Credit

1. Schools serving low-income children are receiving relatively little from this program. Arizona's wealthiest schools receive a disproportionately high percentage of the money gathered. Over the three years of the

program, public schools in the wealthiest quarter received more than five times as much money from the program as public schools in the poorest quarter.

2. As is the case with the private school tuition tax credit, data on public school extracurricular tax credit claimants indicates that actual participation is positively associated with income, that is, those with higher incomes participate in the tax credit program to a greater extent than those with lower incomes.

Recommendations

Arizona's private school tuition tax credit is not achieving its goal of providing poor families opportunities to enroll their children in private schools. Funds from Arizona's public school extracurricular tax credit are disproportionately going to wealthier schools. Legislators should consider repealing the Arizona education tax credit law altogether—both the private school tuition tax credit and the public school extracurricular tax credit. The program is expensive and inefficient at reaching low-income students.

1. The information and reporting requirements for school tuition organizations (STOs) should be strengthened (for example, whether the student receiving a tuition grant is switching from a public to a private school, what public school the student is transferring from, family income, etc.). With more complete information from STOs, researchers will be able to more precisely evaluate the costs and benefits associated with the private school tuition tax credit program.

2. Legislators should amend the Arizona private school tuition tax credit to make eligibility for a tuition grant dependent on level of income through a means test. This would ensure that low-income families and students would benefit from this tuition tax credit program. Means testing would improve the efficiency and equity of this program.

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[3] Weinberg, D. H. (1987). The distributional implications of tax expenditures and comprehensive income taxation. National Tax Journal, 40, pp. 237-253. That tax expenditures do not offer the same real opportunities to lower-income individuals and families is well-established in tax research. For example, Weinberg estimated that in FY 1985 more than one-half of the tax expenditures (credits and deductions) taken through the individual income tax system went to the 20 percent of families with the highest incomes.

[4] Arizona Revised Statutes § 43-1089.

[5] Arizona Revised Statutes § 43-1089.

[6] Arizona Revised Statutes § 43-1089.01

[7] [Arizona Revised Statutes § 43-1089 (B) (1), (2)]

[8] Keegan, L. G. (2001, December 18). Tuition tax credits: A model for school choice. National Center for Policy Analysis. Brief analysis No. 384. Keegan states that "the inclusion of tax incentives to directly assist public schools helped sell the program not only to the Legislature but also to the public."

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[26] The total amount of tuition grants awarded to students in 1998 was $167,650. However, one STO (Institute for Better Education), while providing their total tuition grant amount, failed to provide the number of tuition grants awarded. Therefore, calculating the mean amount per tuition grant with the tuition grant amount ($20,180) from the Institute for Better Education included significantly overstates the mean amount per tuition grant in 1998.

[27] National Center for Education Statistics. Digest of Education Statistics 2001. (2002, March 1). Table 63-Private elementary and secondary schools, enrollment, teachers, and high school graduates, by state: 1991 to 1999 . [On-line]. Available: http://nces.ed.gov/pubs2002/2002130b.pdf

[28] National Center for Education Statistics. Digest of Education Statistics 2001. (2002, March 1). Table 63- Private elementary and secondary schools, enrollment, teachers, and high school graduates, by state: 1991 to 1999. [On-line]. Available: http://nces.ed.gov/pubs2002/2002130b.pdf

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Belfield cited studies relating to tuition tax credit target efficiencies by Frey (1983 and 1995), West (1985), Olsen et al. (2001), and West (2001). The target efficiencies ranged from less than 5% to no more than 15%. Belfield characterized the simulations' results as "reasonably consistent."

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Although the Cato Institute paper provided an estimated range for target efficiency, they state that they based their estimate, in part, on estimates from STOs that account for only 13 percent of all scholarships. This calls into question the representativeness of the sampling of STOs that went into producing the data for their target efficiency estimate.

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[39] Arizona Department of Revenue. School Tax Credits. Publication 707. p. 11.

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PEOPLE
FOR THE
AMERICAN
WAY
FOUNDATION

Time and Time Again: The Public's Consistent Rejection of School Vouchers and Tuition Tax Credits

April 2002
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Proposals to fund private and parochial schools with public tax dollars have been debated for many years. However, time and time again Americans have expressed their belief that tax dollars should remain in the public school system which is committed to providing a quality education to *all* students regardless of race, religion, ethnicity, gender, national origin or ability.

Since 1972, there have been 12 attempts to pass voucher or tuition tax credit referenda that would enable public tax dollars to subsidize private and parochial education. All attempts have been consistently—and in most instances, resoundingly—defeated by the American electorate. In fact, all seven voucher and tuition tax credit referenda introduced in the 1990s have been defeated by at least 60 percent of the vote. Overall, voters in eight states have voted by a cumulative 68 to 32 percent margin against vouchers and tax credits on 12 ballot initiatives from 1970 to 2000.

Those programs which have been enacted, such as Milwaukee's voucher program or Arizona's tuition tax credit provision, were approved by the legislatures of those states and not by the general electorate through a ballot process. Presented below are details of all the voucher and tuition tax credit referenda, which have been on the ballot the past three decades—all of which were defeated.

Voucher Referenda

State	Year	Election Result		Details of the Ballot Initiative
		Vote Against	Vote For	
Michigan	1970	43%	57%	A vote for Proposal C was a vote to amend the state constitution *prohibiting* the use of any direct or indirect public funds to aid nonpublic elementary or secondary schools. A vote for Proposal C was a vote against any government assistance to private and religious schools. Voted for: 1,416,838; voted against: 1,078,740 More information regarding MI electoral history can be accessed at http://www.sos.state.mi.us/election/index.html
Maryland	1972	55%	45%	In 1971, the Maryland state legislature approved Chapter 7 of Senate Bill 331, which created a nonpublic education scholarship program. The approved act provided a state scholarship program for students attending approved nonpublic schools, and permitted a shared time arrangement between public and non-public schools. The legislation was put on the general election ballot in 1972 as Question #18. A vote for Question 18 was a vote to enact this program. Voted for: 448,703; voted against: 543,702 More information regarding MD electoral history can be accessed at http://www.elections.state.md.us/

Michigan	1978	74%	26%	A vote for Proposal H was a vote to amend the constitution, requiring the legislature to issue educational vouchers to be applied toward a student's education at any public or nonpublic school. Voted for: 718,440; voted against: 2,075,583 More information regarding MI electoral history can be accessed at http://www.sos.state.mi.us/election/index.html
Colorado	1992	67%	33%	A vote for Amendment 7 was a vote to require that all state money appropriated for the general support of kindergarten, elementary and secondary education be apportioned among students in the form of vouchers. A voucher of no less than 50 percent of the average per pupil expenditure in a district would have been issued to each student's parent or guardian. These vouchers would then have been redeemable as tuition at any public or private school. Parents home schooling their children would also have been able to use the vouchers to reimburse the purchases of educational materials. Voted for: 503,162; voted against: 1,001,901 More information regarding CO electoral history can be accessed at http://www.sos.state.co.us/pubs/elections/main.htm
California	1993	70%	30%	A vote for Proposition 174 was a vote requiring the state to provide a voucher for every school-age child equal to at least 50 percent of the prior fiscal year's per pupil expenditure for K-12 public schools. Vouchers could be redeemed at both public and private schools. Vote for: 1,561,514; voted against: 3,567,833 More information regarding CA electoral history can be accessed at http://www.ss.ca.gov/elections/elections.htm
Washington	1996	64%	36%	A vote for Initiative 173 was a vote to establish tuition vouchers for primary and secondary students to attend any private or public school. Parents would have received a voucher amounting to 55 percent of the total state, federal and local allotment per child to be used at any school except those with a religious affiliation. Voted for: 775,281; voted against: 1,406,433 More information regarding WA electoral history can be accessed at http://www.secstate.wa.gov/elections/
Michigan	2000	69%	31%	A vote for Proposal 1 was a vote to amend the constitution, permitting the state to provide indirect support to students attending nonpublic kindergarten, elementary and secondary schools. The proposal would have allowed tuition vouchers to be used in school districts with a graduation rate under 2/3 in the 1998-1999 school year, and also would have allowed any district to opt into the voucher program. Each voucher would have been limited to half of the state's average per pupil expenditure.

				Voted for: 1,235,533; voted against: 2,767,320 More information regarding MI electoral history can be accessed at http://www.sos.state.mi.us/election/
California	2000	71%	29%	A vote for Proposition 38 was a vote to create a publicly funded program to provide parents with vouchers that can be redeemed for private and religious school tuition. The state vouchers would initially be worth $4,000 per year, with the option to increase in future years as per pupil expenditures increase. Parents would have been able to 'top off' the vouchers with their own funds. Student eligibility would not have been limited to only those enrolled in public schools. Voted for: 3,101,193; voted against: 7,422,037 More information regarding CA electoral history can be accessed at http://www.ss.ca.gov/elections/elections_b.htm
Total: Eight Referenda		**32%**	**68%**	**Total Votes** **For Vouchers: 9,422,566** **Against Vouchers: 20,201,647**

Tuition Tax Credit Referenda

State	**Year**	**Election Result**		**Details of the Ballot Initiative**
		Vote Against	**Vote For**	
Washington, DC	1981	89%	11%	A vote for Initiative 7 was a vote to provide income tax credits to families who pay educational expenses for their children enrolled at full-time public or private schools. The maximum tax credit for parents would have been limited to $1,200 per pupil. Other taxpayers, including corporations, could have claimed a limited tax credit up to 50 percent against their payable income tax for education expenses. Voted for: 9,568; voted against: 78,429 More information regarding Washington, DC electoral history can be accessed at http://www.dcboee.org/
Utah	1988	70%	30%	A vote for Initiative C was a vote to provide parents with a limited tax credit against income taxes for the tuition, textbook and transportation costs of children attending private school. Voted for: 190,193; voted against: 439,090 More information regarding UT electoral history can be accessed at http://elections.utah.gov/

Oregon	1990	67%	33%	A vote for Measure 11 was a vote to provide a state income tax credit toward the expense of educating students outside public schools. The tax credit would have been equally available for secular, religious, institutional and home-based education. Vote for: 351,977; vote against: 741,863 More information regarding OR electoral history can be accessed at http://www.sos.state.or.us/elections/elechp.htm
Colorado	1998	60%	40%	A vote for Amendment 17 was a vote to establish an income tax credit for parents or legal guardians of students enrolled in public, private and home schools. For parents of students enrolled in private schools, the credit equals at least 80 percent of private school tuition expenses or 50 percent of the average expenditure for a public school student, whichever is less. For parents of other students, the credit is to be set by the legislature. Vote for: 516,593; vote against: 784,966 More information regarding CO electoral history can be accessed at http://www.sos.state.co.us/pubs/elections/main.htm
Total: Four Referenda		**32%**	**68%**	**Total Votes** **For Tuition Tax Credits: 1,068,331** **Against Tuition Tax Credits: 2,044,348**

Exit Poll Data for Michigan and California, 2000 Voucher Referenda

Voting Group	California Proposition 38		Michigan Proposal 1	
	Yes	No	Yes	No
All voters	29%	71%	31%	69%
Race/ethnicity				
White	30	70	31	69
Black	32	68	23	77
Latino	23	77	--	–
Asian	34	66	--	–
Religion				
Protestant	35	65	31	69
Catholic	31	69	34	64
Jewish	17	83	–	–
Annual family income (CA)				
< $20,000	27	73		
$20,000-$39,999	25	75		
$40,000-$59,999	30	70		
$60,000-$74,999	32	68		
$75,000 or more	30	70		
Annual family income (MI)				
< $15,000			–	–
$15,000-$29,999			27	73
$30,000-$49,999			32	68
$50,000-$74,999			33	67
$75,000-$99,999			33	67
$100,000 or more			30	70
Urban/rural				
City over 50,000 pop.	30	70	27	73
Suburb	28	72	36	64
Rural	34	66	27	73
Large urban area results				
Los Angeles County	27	73		
Alameda (Oakland)	22	78		
Santa Clara (San Jose)	27	73		
San Francisco County	21	79		
San Diego County	34	66		
Wayne (Detroit)			28	72
City of Detroit			18	82
Genesee (Flint)			27	73
Kent (Grand Rapids)			35	65
Oakland (Pontiac)			33	68

Source: California data from Los Angeles Times Poll, with interviews of 3,474 voters at 51 polling places. Margin of error is +/- 3%; urban/rural data, with interviews of 1,702 voters, from CBS exit poll. Michigan data, with interviews of 1,213 voters, from the CBS exit poll; large urban area data from vote tallies as reported by CBS, not exit polls.

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APPENDIX I – STATEMENT OF LISA GRAHAM KEEGAN, CHIEF EXECUTIVE OFFICER, EDUCATION LEADERS COUNCIL, WASHINGTON, D.C.

ELC Education Leaders Council

TESTIMONY OF LISA GRAHAM KEEGAN
CHIEF EXECUTIVE OFFICER
EDUCATION LEADERS COUNCIL
WASHINGTON, DC

U.S. HOUSE COMMITTEE ON EDUCATION AND THE WORKFORCE

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WASHINGTON, DC

APRIL 16, 2002
3:00 PM

EDUCATION LEADERS COUNCIL
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TESTIMONY OF LISA GRAHAM KEEGAN
CHIEF EXECUTIVE OFFICER
EDUCATION LEADERS COUNCIL

Good afternoon, Mr. Chairman and Members of the Committee. My name is Lisa Graham Keegan, and I am the Chief Executive Officer of the Education Leaders Council (ELC), a non-profit, non-partisan organization of practicing education reformers. It is my pleasure to appear before you today to discuss one of the most important tools that we as policymakers, educators, and administrators can give to any parent interested in their child's education: choice.

The ELC believes that choice is a right that parents should expect; it should not be considered an extravagance the government, in its benevolence, graciously bestows on the public. Choice ensures that families have real and meaningful opportunities to pursue a quality education that reflects what is important in life and in their lives.

There are countless ways in which choices can be made available, and our member states have approached choice creatively and proactively. In fact, many of the practices that have been at work in our states for years – comprehensive charter school systems, for example, and increased opportunities for public school choice -- were expanded upon in the *No Child Left Behind* (NCLB) Act. That's a welcome shift in federal policy, and I applaud the members of this committee for playing an instrumental role in making it happen.

I'm also very encouraged that you haven't stopped there, and are continuing to look at ways to provide more parents with more options. There are lots of new ideas out there, and I want to speak today about one of the more exciting ones: tuition tax credits.

I'm so pleased that President Bush has proposed a form of tuition tax credits as part of his FY 2003 budget request. A number of ELC's member states have already successfully used their state tax codes to find new ways to make choice work in their states. And if the committee will indulge me for a few minutes, before I talk about the President's proposal, I'd like to take a moment to tell you a little bit about how tuition tax credits work in two of our member states, Arizona and Pennsylvania. While the tuition tax credits in each state has the similar goal of expanding choices for parents, both of them have taken slightly different approaches that I think are worth looking at.

The Arizona Tuition Tax Credit

The mechanism for choice established by the Arizona Tuition Tax Credit Program is relatively simple. In return for a tax credit of up to $500, taxpayers may make a voluntary donation to a school tuition organization (STO). STOs are non-profit organizations, and are required under the law to allocate at least 90 percent of their revenue to scholarships or grants for students to attend private schools. STOs can choose the private schools for which they will provide scholarships - they are not required to make tuition available for every private school in the state - and parents may, in turn, choose which STO they apply to based on the schools the STO serves. The law also contains a separate provision explicitly aimed at providing additional assistance to public schools. Under this provision, taxpayers are allowed to credit up to $200 in a direct donation to the public school of their choice to help pay for extracurricular activities.

The Arizona program has managed to withstand challenges to its constitutionality mainly because of one of the really elegant characteristics of the program -- namely that choice is being applied at two levels, neither of which involves the State. At the first level, the taxpayer chooses to donate to the STO and take the tax credit; at the second level, the parent chooses to apply directly to the STO for a scholarship. It is this approach, in part, which helps the program pass constitutional muster, because it neither directly allocates public money to private institutions, nor endorses religious versus non-religious schools.

In past months, there have been a number of studies of the Arizona program, none of which can agree on anything in particular, except for one thing: the program has opened up the traditional public education system and allowed parents to exercise options that were not available before.

The Pennsylvania Educational Improvement Tax Credit

Last year, Pennsylvania approved Act 4 of 2001 to establish Educational Improvement Tax Credits (EITC), which utilizes the state tax code to allow for private educational choice. While structurally similar to the Arizona program, the Pennsylvania program differs in two interesting and significant ways. First, the EITC authorizes tax credits to businesses to apply toward a number of State, corporate- or business-related taxes, rather than to individual taxpayers. Second, the credits are authorized for contributions not only toward scholarship programs for public and private schools, but also for innovative education programs in public schools.

Under the Pennsylvania EITC, the total tax credits authorized for both the scholarship and educational improvement programs credits are limited annually to $30 million -- $20 million for the scholarship program and $10 million for educational improvement. Scholarship organizations -- similar to Arizona's STOs -- determine the parameters of the scholarships they will award and, as in Arizona, parents may prefer certain organizations over others, based on the schools for which they provide scholarships.

The major difference between them is that Arizona's credit is available to individual, private taxpayers, while the Pennsylvania credit is available only to businesses – but the distinction really ends there. Both the Arizona and the Pennsylvania programs provide different opportunities for choice that benefit education in public and private schools. More significantly, both programs provide parents with educational opportunities that may not been available to them before.

The Bush Proposal

Building upon the groundwork laid in the *No Child Left Behind* Act – and, we like to think, upon the groundwork laid in states like Arizona and Pennsylvania -- the President has taken the opportunity in his FY 2003 budget to propose a way to make the federal tax code work for parents who have children attending failing public schools. This proposal – which deserves serious consideration by the Congress – will provide families of students currently trapped in failing schools with a refundable tax credit to cover 50 percent of the first $5,000 of costs needed to send their child to a better school. This could include paying for books, transportation, supplies, or tuition at the public or private school of their choice.

Now, before the usual accusations about this being yet another attempt to take funding from the public education system begin – as if the *system* were entitled to that funding, rather than a student -- it is worth looking first at what existing law and the President's proposal really say.

Within the NCLB is a concept called Adequate Yearly Progress, or AYP, which requires states and local education agencies to set the criteria to determine how well schools and districts are doing in making sure all students make progress toward state academic standards. Parents who value their child's education would be well advised to ask their school, their school district, or their state education agencies for a copy of their state's AYP criteria, for it is one of the most useful tools available to parents and educators to see how rigorously their children are -- or are not – being challenged in school. It is also the tool the federal government gives to school districts to determine which schools are truly making adequate progress in teaching students, and which are not.

Those schools that are not are considered to be "in need of improvement" – meaning their own school district has determined that the school did not ensure that all students were achieving academically. These schools will receive additional federal dollars to provide the technical assistance necessary to improve academic achievement, and they are also required to immediately begin offering public school choice to their students.

After two consecutive years of failure, these schools must also allow not only public school choice, but must also pay to provide supplemental services for disadvantaged students. This can include sending students to private providers, such as Sylvan. So, the concepts of school choice and of allowing students to pay for private education services with public dollars are really nothing new -- the law already allows for both. Giving parents opportunities for choice and supplemental services empowers them to make decisions in the best interests of their child, and the resources to act on them.

The tuition tax credit would build upon the existing opportunities in the law by allowing parents, through the tax code, to partly offset the costs of sending their children to the public or private school of their choice. This is not, as some would argue, an unprecedented or unconstitutional use of public funds to pay for a private education provider – after all, the law already allows disadvantaged students to use their public funds to pay for private services when their school is in need of improvement. This proposal simply provides *all* students in a failing school with an opportunity to attend a better school, regardless of whether it's public or private.

Further, families who decide to claim this tax credit can't base their decision to remove their child from a particular school based on some sort of vague gut feeling that their child is in a poor school. This is their *own public school system* telling them that these schools are sub-par. Yet, we hear too many people saying that it's not fair to let parents do something about it. What's not fair is forcing students to remain in schools that are not doing their jobs.

And really, enough of this talk about how we're turning our backs on failing schools by giving students a chance to get out of them and take some of their money with them. Parents who choose to take advantage of these tax credits are not exacting some sort of revenge on the school system, nor are policymakers. The law rightly gives these wobbling schools the assistance, funding, and opportunities they need to right themselves -- hardly an effort to abandon schools that need help -- but students shouldn't be forced to teeter along with them. Simply put, the tuition tax credit provides parents with yet another opportunity to ensure that that their children are receiving the quality education they deserve right now.

Thank you, Mr. Chairman, for the opportunity to address the committee. I look forward to responding to any questions you and the committee may have.

Committee on Education and the Workforce

Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)

Your name: LISA GRAHAM KEEGAN

1. **Will you be representing a federal, State, or local government entity?**

   No

2. **Please list any federal grants or contracts (including subgrants or subcontracts) which you have received since October 1, 1999.**

   None

3. **Will you be representing any entity other than a government entity?**

   Yes

4. **Other than yourself, please list what entity or entities you will be representing.**

   Education Leaders Council, Washington, DC

5. **Please list any offices or elected positions held and/or briefly describe your representational capacity with each of the entities you listed in response to question 4:**

   Chief Executive Officer

6. **Please list any federal grants or contracts (including subgrants or subcontracts) received by the entities you listed in response to question 4 since October 1, 199, including then source and the amount of each grant or contract:**

   Subcontractor, Fund for the Improvement of Education Grant, Accountability and Literacy (October 2001) -- $150,000

   Subcontractor, Secretary's Value-Added Conference (December 2001) -- $3,800

   Subcontractor, Fund for the Improvement of Education Grant, Teacher Training and Certification -- $600,000

7. **Are there parent organizations, subsidiaries, or partnerships to the entities you disclosed in response to question 4 that you will not be representing? If so, please list:**

Yes. The National Council on Teacher Quality (a partner of the ELC in FIE grant).

PERSONAL INFORMATION: VITAE ATTACHED.

Signed:
Date: April 12, 2002

APPENDIX J -- LETTER FROM THE NATIONAL COALITION FOR PUBLIC EDUCATION, SUBMITTED FOR THE RECORD BY REPRESENTATIVE LYNN WOOLSEY, COMMITTEE ON EDUCATION AND THE WORKFORCE, WASHINGTON, D.C.

The National Coalition
for
Public Education

April 16, 2002

Committee on Education and the Workforce
United States House of Representatives
Washington, DC 20515

Dear Representative:

The undersigned members of the National Coalition for Public Education oppose tax subsidies for private and religious school tuition and urge you to oppose any legislation that includes such a subsidy, which would do nothing to improve public education.

The budget resolution approved by the House of Representative would provide for a refundable tax credit for eligible students to attend private school. This subsidy would cover private school tuition, transportation (including the cost-per-mile if the taxpayer's own car is used), room and board, books, and computer equipment, and would reduce federal revenues by approximately $3.7 billion over five years. These funds could be used to meet many of the funding requirements in the No Child Left Behind Act. It would be fiscally irresponsible to consider proposals that reduce education funding when so many of the programs that were just reauthorized face inadequate funding under the budget resolution adopted by the House of Representatives.

Other proposed tuition tax credits offer no more appealing alternatives. They all reduce revenue, while doing nothing to improve public schools, where 90 percent of our children are enrolled, nor do they improve targeting of funds to students most at risk of educational failure. For example, a study of the tuition tax credit allowed in Arizona found that:

> "Arizona's private school tuition tax credit program is expensive and does relatively little to help poor students. The primary recipients of private school tuition tax credit money are families whose children are already enrolled in private schools. The financial and non-financial barriers to private schooling and price effects associated with private school tuition makes it unlikely that many poor students move from public to private schools because of assistance from the private school tuition tax credit program. Over the three years of the public school extracurricular activity tax

The National Coalition
for
Public Education
1090 Vermont Ave., NW, Suite 1200
Washington, DC 20005-4905 · (202) 289-6790

The National Coalition for Public Education is comprised of more than 50 education, civic, civil rights, and religious organizations devoted to the support of public schools. Founded in 1978, NCPE opposes the funneling of public money to private and religious schools through such mechanisms as tuition tax credits and vouchers.

> credit, the wealthiest 25% of public schools received more than five times as much money from the program as the poorest 25% of public schools."[1]

Private school tuition tax credits would also undermine the accountability that the Administration and both parties worked so hard to enact in the No Child Left Behind Act. Indeed, the Mackinac Center for Public Policy reports "Many proponents of educational tax credits prefer them to vouchers on the grounds that they entail less governmental regulation of private schools."[2] The touchstone of the education reforms enacted in the No Child Left Behind Act is accountability. Initiatives that divert public funds to private schools that are not accountable to the public are inimical to the goals of that Act.

Furthermore, because the tax credit could be applied to reimburse dollar for dollar private religious school tuition, it raises serious church/state concerns.

Parents of children in schools needing improvement already have options. The No Child Left Behind Act provides for public school choice, as well as federally funded after-school tutoring services for low-income low-performing students in schools that fail to make adequate yearly progress. The law also increases funding for charter schools. Tuition tax credits are therefore not only bad policy, but unnecessary.

For all the foregoing reasons, we urge you to oppose any legislation that includes tuition tax credits.

Sincerely,

American Association of School Administrators
American Association of University Women
American Civil Liberties Union
Americans for Democratic Action
American Federation of State, County and Municipal Employees
American Federation of Teachers
American Jewish Committee
Americans United for Separation of Church and State
Anti-Defamation League
Association of Educational Service Agencies
Baptist Joint Committee
Central Conference of American Rabbis

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[1] The Equity Impact of Arizona's Education Tax Credit Program: A Review of the First Three Years (1998-2000), Education Policy Studies Laboratory Arizona State University, March 2002. http://www.asu.edu/educ/epsl/EPRU/documents/EPRU%202002-110/epru-0203-110.doc

[2] School Choice in Michigan: A Primer for Freedom in Education, The Mackinac Center for Public Policy, July 1999.

The National Coalition for Public Education
1090 Vermont Ave., NW, Suite 1200
Washington, DC [illegible] - [illegible]

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Council of Chief State School Officers
Hadassah, the Women's Zionist Organization of America
International Reading Association
NA'AMAT USA
National Alliance of Black School Educators
National Association for Bilingual Education
National Association of Federal Education Program Administrators
National Association of School Psychologists
National Association of State Boards of Education
National Association of State Directors of Special Education
National Council of Jewish Women
National Education Association
National PTA
National Rural Education Association
National School Boards Association
People For the American Way
Presbyterian Church (U.S.A.), Washington Office
School Social Work Association of America
Service Employees International Union
United Auto Workers
United Church of Christ, Justice and Witness Ministries
Union of American Hebrew Congregations
Women of Reform Judaism

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APPENDIX K – COLLINS CENTER FOR PUBLIC POLICY PRELIMINARY ANALYSIS OF THE FLORIDA INCOME TAX CREDIT SCHOLARSHIP PROGRAM

The Florida Corporate Income Tax Credit Scholarship Program: A Preliminary Analysis

Monday, April 1, 2002

Introduction

The State of Florida launched a new education program at the beginning of 2002 to provide limited tax credits, under the State's corporate income tax system, to business taxpayers who contribute to scholarship funds that assist the families of low-income children make choices about the elementary and secondary schools their children attend. This preliminary analysis by the Collins Center for Public Policy, Inc., is based on limited experience with the new program and is focused on determining whether the new tax credit program diverts money away from K-12 public schools, as some critics claim, or whether it is a economical means of improving the choices low-income families can make about their children's education, as the program's proponents claim.

Purpose and Description

The 2001 Florida Legislature passed "The Corporate Income Tax Credit Scholarship Program"[1] with an implementation date of January 1, 2002. The program's purposes, as stated by the Legislature, are to encourage private, voluntary contributions to nonprofit scholarship-funding organizations, expand educational opportunities for children of families that have limited financial resources, and enable children in Florida to achieve a greater level of excellence in their education.

The program gives business taxpayers, on a first-come, first-served basis, limited credits against their Florida corporate income taxes for contributions to "eligible nonprofit scholarship-funding organizations." The legislation now limits each contributor to a maximum of $5 million in Florida corporate tax credits per "eligible nonprofit scholarship funding organization" with an aggregate tax credit limit for the entire state of $50 million. The credit cannot exceed 75% of the corporate taxes due by taxpayer after applying all other tax credits available to the taxpayer. Five percent of the credits are set aside for small businesses taxpayers.[2]

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[1] Florida Statutes Section 220.187.

[2] The Statute provides for additional limitations, such as a reduction of the credit by any Federal tax benefits that the credit causes. As of the date of this analysis, regulations to govern the administration of the credit were not available. F.S. §220.187 (3).

The "eligible nonprofit scholarship-funding organizations"[3] who receive these contributions use the donated money to provide scholarships to families with a "qualified child" who is eligible for free or reduced-price school lunches under the National School Lunch Act, and was counted as a full-time equivalent student during the previous state fiscal year for purposes of state per-student funding or received such a scholarship the previous year.[4] These scholarships must be used for the child to attend (1) any "eligible nonpublic school"[5] or (2) another public school of choice outside the child's current public school district.

Eligible low-income families may apply to the "eligible nonprofit scholarship-funding organizations" to receive the scholarships. A qualified child may receive a scholarship up to $3,500 per year for tuition, textbook or transportation costs of attending an eligible nonpublic school[6] or up to $500 per year to attend an out-of-district public school.

Guiding Philosophy: School Choice

The "Florida Corporate Income Tax Credit Scholarship Program" is part of an effort to increase the numbers of school choices available to parents.

"School choice" is a strategy for reform of the State's system of K-12 public education endorsed by the Legislature, the Governor, a number of Constitutionally-independent school districts, and some business and civic leaders for years. It is based on the belief that families want what is best for their children, know the needs of their individual children better than anyone else, and should be able to make decisions about the type of education their children should receive. To some proponents, a family's choice of schools is regarded as "a basic parental liberty".[7] Other supporters view school choice as a market-driven process that encourages competition and will result in the improvement of public schools.[8] The general public appears to support more school choice as a way of improving academic "basics" and of maintaining the discipline needed for a good learning environment.[9] Parents often perceive private schools as being better than public schools on both counts.[10]

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[3] An "eligible nonprofit scholarship-funding organization" is a charitable organization that is exempt from Federal income tax, complies with statutory rules for administering the scholarship program, submits an annual financial and compliance audit to the State, and meets other standards that may be established by rule by the Florida Department of Education. See F.S. §220.187 (2)(a), (4), (6)(e). It cannot spend any of the donated money for administrative expenses, F.S. §220.187 (4)(e), and it must spend all of the eligible contributions made each year for scholarships during that year, F.S. §220.187 (4) (e).

[4] F.S. §220.187 (e). A specific child cannot be designated by the corporate donor as the beneficiary of a contribution F.S. §220.187 (2)(b).

[5] An "eligible nonpublic school" must demonstrate fiscal soundness as defined by the Statute, comply with antidiscrimination laws, meet state and local health and safety laws and codes and comply with all state laws relating to the general regulation of nonpublic schools. F.S. §220.187 (5).

[6] At least 75% of the scholarship funding for nonpublic private schools must be used for tuition. F.S. §220.187 (4)(a)1.

[7] Gill, B.P., Timpane, P.M., Ross, K.E., Brewer, D. J. (2001). *Rhetoric Versus Reality: What we know and what we need to know about vouchers and charter schools.* Washington, D.C.: RAND.

[8] Coulson, Andrew J. (2001). *Toward Market Education: Are Vouchers or Tax Credits the Better Path?* Washington, DC: The Cato Institute.

"School choice" is opposed by those who believe that it undermines the state's commitment to universal public education by diverting money and eventually students and their families away from public schools and into private schools. Opponents, such as the nation's largest teachers union, argue that the state and the nation need a system of common public education to ensure literacy and dedication to democratic values. As a result, school choice is seen as an elitist strategy that subsidizes tuition for students in private schools while reducing funding and opportunities for low-income children who remain in the public schools.[11] In addition, many opponents of school choice programs are concerned that private educational institutions generally are religious schools and that public funds cannot constitutionally be used to subsidize religious practice and instruction.[12] They argue that many public schools are as good as or better than most religious schools and would be even better with more resources.

School choice in Florida encompasses a number of programs that permit parents to apply for or select from a variety of offerings. Parents who can afford to move, and the flexibility to do so, always have the option of moving to the "school boundary zone" or "catchment area" or "feeder pattern" that defines the geographic area served by a school that the parents perceive as desirable. They also have the option of applying to private schools and paying private school tuition. Many middle-income families, most low-income families and a number of families who have disabled children do not have the option to move freely or to choose to pay private school tuition.

Many public schools in Florida also offer other choices that are open to students from all income levels: magnet schools, charter schools, deregulated schools, schools-within-schools (such as the International Baccalaureate Program and career academies), alternative schools, year-round schools, dual enrollment and controlled open enrollment.[13] These public school choices have increased substantially over the last decade.

The Florida Legislature also has added three recent choice options for parents who seek nonpublic schools for children in special circumstances:

Opportunity Scholarships.[14] The Legislature enacted Florida's "A+ Plan" in 1999 to focus on rigorous statewide student achievement standards, full implementation of a statewide testing program called the Florida Comprehensive Achievement Test (FCAT) and public reporting of school progress. Part of the "A+ Plan" is to provide "Opportunity Scholarships" to students who attend a public school that fails to make specified improvements within a certain time period. These "Opportunity Scholarships" permit students in these failed schools to attend public or private schools of their choice. To date, only two of Florida's over 3,300 public schools have failed to make the improvements required under State law and generated "Opportunity Scholarships" for their students.

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[9] *On Thin Ice: How Advocates and Opponents Could Misread the Public's Views on Vouchers and Charter Schools* (1999). New York: Public Agenda.

[10] Ibid., p. 29.

[11] National Education Association (2001) http://www.nea.org/issues/vouchers/index.html

[12] Neas, Ralph G. (2001). *A Model to Avoid: Arizona's Tuition Tax Credit Law.* Washington, DC: People for the American Way.

[13] *Education Fact Sheets* (2001). The Florida House of Representatives Academic Excellence Council, p. 143.

[14] F.S. §229.0537

McKay Scholarships.[15] The McKay Scholarship Program for Students with Disabilities was created by the Florida Legislature in 1999 and subsequently piloted in Sarasota County. During the 2000 Session of the Legislature, the program was expanded statewide for the 2000-2001 school year. It provides that parents of a student with disabilities may request and receive a scholarship for their child to attend private schools if the parents are dissatisfied with progress in public school. Currently 3,979 students are in the program and hundreds of private schools are approved to participate.[16]

Corporate Income Tax Credit Scholarship Program. This program, described earlier in this document, is expected to assist over 14,000 low-income children each year. Several private school sources estimate that about 1,000 students are participating or will participate during the first half of 2002, about 8,000 during the 2002-03 school year, and approximately 14,000 will participate during the 2003-04 school year.

The "Florida Corporate Income Tax Credit Scholarship Program" is not a "stand-alone" program but part of other efforts to increase choices available to parents about schools.

Impact of Corporate Income Tax Credit Scholarship Program On Public School Funding in Florida

Does the "Florida Corporate Income Tax Credit Scholarship Program" reduce total state revenues and result in reduced funding for public schools? Does the scholarship program result in statewide revenues that can be used to increase per student expenditures for public schools? What is the fiscal impact of the program likely to be?

The program is too new to use actual program data to prove results. The long-term impact may depend on facts that cannot yet be determined, such as the future size of the program and the reaction of public schools to the increased competition offered by this and other choice programs. An analysis today must be based on likely effects on major revenue of the school financing system, cannot account for unanticipated changes in the future and must, of necessity, be preliminary. More analysis in the future, based on actual experience, can provide more reliable conclusions.

The debate centers on whether statewide revenues will be lost to public education because of the Corporate Income Tax Credit Scholarship program. As a result, this analysis uses revenues per student rather than expenditures per student as the relevant data source. Revenues per student can be tracked because they come from identifiable sources and are publicly reported by the Department of Education and expended by local school districts each year. Expenditures per student are more difficult to track because the federal government, the state legislature, and local school board use different spending criteria on the revenues making it difficult to verify and track true costs. Because the public debate focuses on the effect of the scholarship program on revenues, this analysis of necessity focuses on revenues and not on expenditures for public education.

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[15] F.S. §220.187.

[16] Office of School Choice, Florida Department of Education, www.opportunityschools.org

This analysis also focuses on the fiscal impact of the scholarship program at the state level and not at the local district level. The scholarship program may have a different effect from district to district depending upon use, legislative appropriations, and local district spending. Further analysis will have to be completed after the program is in effect for a few years.

Based on the preliminary analysis presented here, the Collins Center concludes that there will be slight declines in state tax collections caused by the $50 million "Corporate Income Tax Credit Scholarship Program," but that these small declines will likely be offset by increases in the amount of statewide revenue available for education or other state purposes. Using a conservative growth rate of 1.9% for future education revenues, the increases in statewide net revenues could accumulate to more than $600 million over the next ten years as low-income students leave the public schools to participate in the scholarship program. The average annual net revenue increases that result from the "Corporate Income Tax Credit Scholarship Program," could be used to increase per pupil spending an average of approximately $20 per child over the next ten years or to increase state spending for other purposes.

The following analysis of the fiscal impact of the "Corporate Income Tax Credit Scholarship Program" is based on a review of the revenue sources for the State and its public schools.

1. ***Revenue for Public Schools in Florida.*** Revenue to run Florida's public schools comes from Florida and United States taxpayers generated by taxes collected at the federal, state and local levels. Based on the most recent Department of Education report on Florida's school revenues (FY 1999-2000), federal funds provided 8.28% of the total, state funds provided 50.96% and local funds provided 40.76%. Private funds for public schools are negligible. Total revenues statewide during FY 1999-00 were $17,273,149,947 or $7,247 per public school student.[17]

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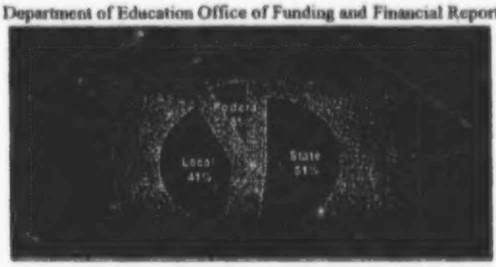
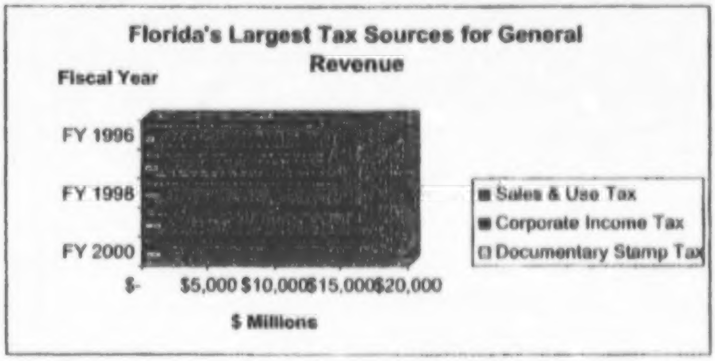
[17] *Profiles of Florida School Districts, 1999-2000 Financial Data Statistical Report.* Florida Department of Education, Office of Funding and Financial Reporting.

Source: Florida Department of Education Office of Funding and Financial Reporting, March 2002



A. ***Federal Revenues.*** Federal tax revenues fund special programs for specific student populations. For example, federal funds are available to school districts with concentrations of low-income children or children who don't speak English as their primary language; special education students who have emotional, educational or physical disabilities; and vocational students who are preparing for specific careers.

B. ***State Revenues.*** Florida's General Revenue Fund is the primary source to fund state programs including public education and come from a variety of different taxes. The state provides funding for public schools from a several sources. The largest sources are the state sales and use tax, the corporate income tax and the documentary stamp tax which together accounted for the vast majority of the General Revenue Fund receipts collected by the Department of Revenue in 2000-2001. The sales and use tax alone accounted for the lion's share at nearly 80% of the total.



Source: Florida Department of Revenue Collections 2001 Annual Report

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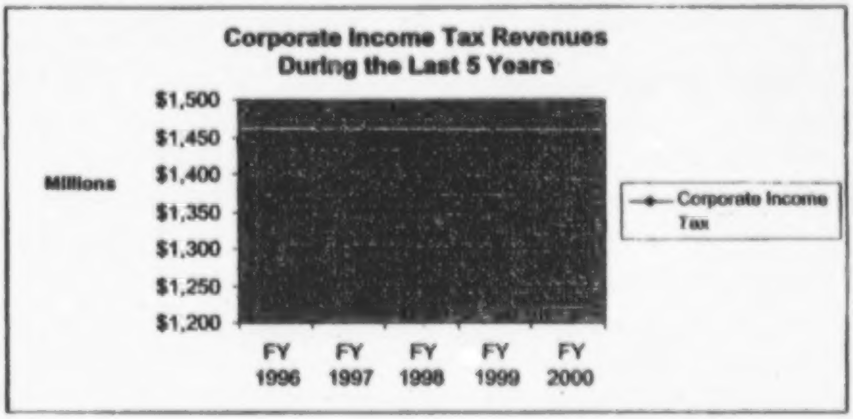
c. ***Local Revenues.*** Florida's school districts collected $7,040,326,697 for public schools during the 1999-2000 school year. Property taxes, interest earnings, rent income, course fees, gifts, grants and bequests received by local school boards are the primary sources of local revenue. The amount of local property taxes that school districts may levy is limited by the Florida Constitution and the state legislature.

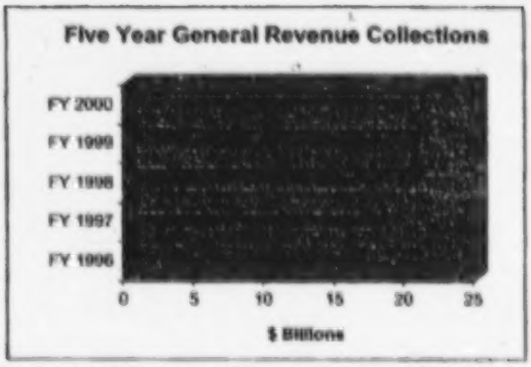
2. **Impact of "Corporate Income Tax Credit Scholarship Program" on Revenues.** The Collins Center calculated the five-year average (1996-2000) for Florida corporate income tax collections at $1.32 billion per year.



Source: Florida Department of Revenue 2001 Annual Report

If this projected five-year average (1996-2000) of $1.32 billion is used as a basis to calculate the effect of the $50 million tax credit, then - all other facts remaining constant - corporate income tax revenue would decline 4%. The impact of the "Corporate Income Tax Credit Scholarship Program" on the calculated five-year average of corporate income tax collections would equal a 4% decline in corporate income tax revenues.

Using the same methods, the total $50 million impact of the "Corporate Income Tax Credit Scholarship Program" on the most recent five-year average of $17,832,000,000 for total state general revenues collected by the Department of Revenue would equal less than 1/3 of 1% decline (0.28%).



Source: Florida Department of Revenue 2001 Annual Report

If there is a decline in corporate income tax revenues and subsequently in state General Revenue Fund collections caused by the "Corporate Income Tax Credit Scholarship Program," then what impact will that have on statewide funding for public schools? Opponents of the $50 million tax credit program claim that public education will suffer the most if not all of this revenue decline. To calculate the likely effect of a decline in corporate income tax revenues on public education revenues, it is necessary to determine what percentage of the General Revenue Fund goes to fund K-12 public education. That percentage is about 40% based upon a ten-year average dating back to the 1991 Fiscal Year. If public education funding absorbs all of the corporate income tax revenue decline, the direct effect is a $20 million revenue decrease for public education or a 0.26 % decrease based upon the 2001-2002 revenues. This could be described as the "worst case scenario." It is highly unlikely that the "worst case scenario" will occur given the historic funding patterns for education established by the Florida legislature. This "worst case scenario" does not account for the net impact of the scholarship program on statewide revenues described in the next section.

3. ***Net Impact of Corporate Tax Credit Scholarship Program for a typical school year.*** What is the net impact of the Corporate Tax Credit Scholarship Program on school funding when historical revenue data is introduced? Will the scholarship program ultimately take funding away from public education as critics claim or will the scholarship program provide more discretionary revenue that could "neutralize" or exceed the expected revenue declines?

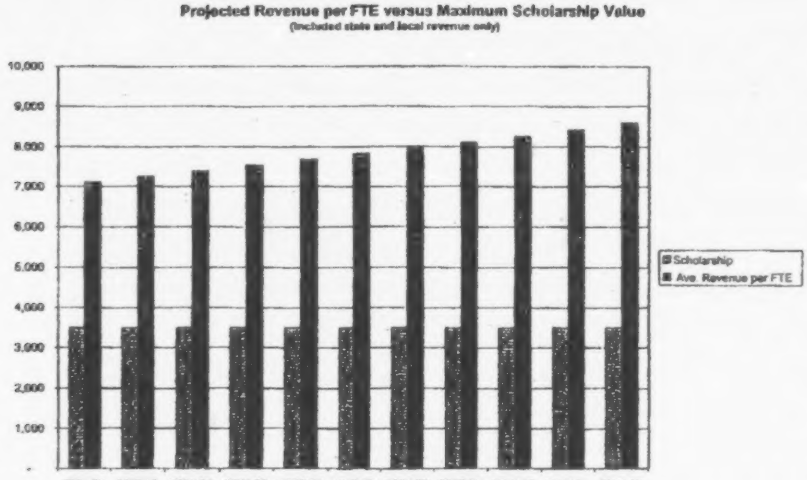
The scholarship program is too new to use actual program data to evaluate the impact, but it is reasonable to estimate the possible impact by clearly laying out assumptions and by using historical revenue and appropriation data to predict revenue increases or declines.

The Collins Center has used three probable assumptions. ***First***, revenues for public education will increase at historic incremental levels. During the past 10 years beginning in the 1991 Fiscal Year, public education revenues had an average annual increase of 3.8%. However, for this analysis the Collins Center will use a more conservative growth rate of 1.9% or one-half of the annual ten year average. ***Second***, the cost of an individual low-income student's scholarship of $3,500 will stay the same or remain well below the cost of the state's per pupil revenues of $7,247 in 1999-2001. ***Third***, all federal revenues are removed from the model to isolate the impact upon state and local revenues which comprise over 90% of revenues that are provided to public schools.

Using these likely assumptions, the Collins Center developed a simple model to test the impact on public education funding questions: per pupil revenues (without federal funds) minus the $3,500 cost of the scholarship = statewide per pupil revenue that is available for educational or other purposes.

As an example, assume that in the 2003-2004 fiscal year the Florida legislature conservatively increases revenues for public schools by 1.9% (about one-half of the ten-year average annual increase.) Using this moderate historical incremental average, the expected revenue (excluding federal revenues) for the 2003-2004 fiscal year would be $7,384 per student. Assuming that each student in the scholarship program uses the maximum available amount of $3,500, the expected net revenue gained per low-income student who participated in the scholarship program for this typical school year would be $3,844 or $7,384 - $3,500= $3,844.

To calculate the total net revenue gained for the state, then it is necessary to multiply the net revenue of $3,844 per pupil by the expected number of students that will receive the scholarships. Private school sources estimate that there will be 14,286 low-income students who will take advantage of the scholarship program by the 2003-2004 school year. If 14,286 low-income students left the public school system in 2003-2004 at net revenues of $3,844 per student, then the total statewide net revenues would be $3,844 x 14,286 = $55,485,080. Statewide net revenues of $55,485,080 could be realized even with federal funds excluded from the per student revenue equation.



Projection based on a 1.9% conservative historical growth trend

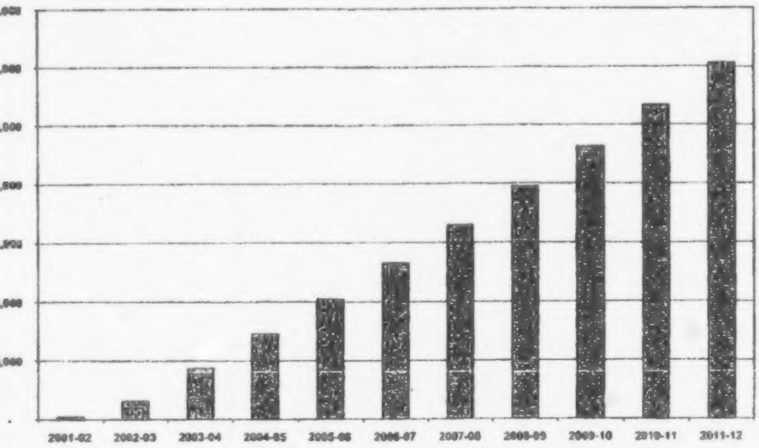
Net Cumulative Revenues from the Corporate Income Tax Credit Scholarship Program for ten years.

In the next decade, there could be substantial statewide net revenues available to the Florida legislature. Using the same net revenue model, the cumulative statewide net revenues are significant based on a conservative growth rate of 1.9% annual increase in funding for public education. The cumulative statewide net revenues could approach $606,810,000 by 2012.

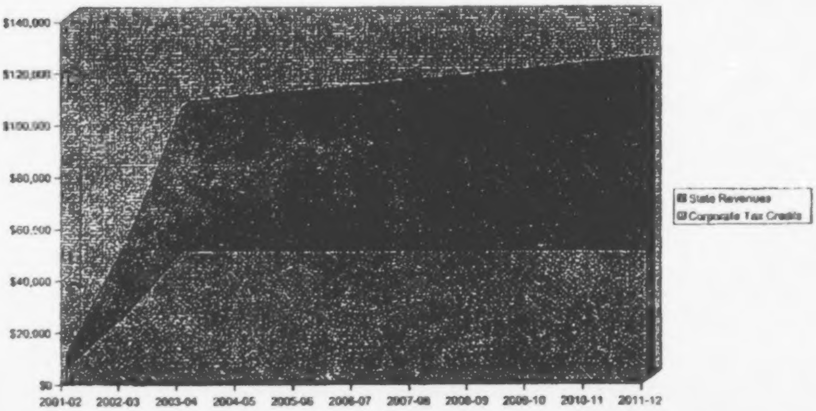
As low-income students leave the public school system to participate in the scholarship program, the increase in statewide net revenues provide a number of options for the legislature. One option is to return the net revenues back to tax payers in the form of tax reductions. Another option is to re-invest the net revenues back in public education thereby increasing even more the total amount of public school funding. Or the legislature could use the net revenues to fund other important state programs such as public safety, Medicaid, or child welfare programs.

Claims that the Corporate Income Tax Scholarship Program will reduce public education revenues do not appear to be justified based on historical legislative funding patterns and the reasonable assumptions used in this model. It is more likely that there will be statewide net revenues realized possibly providing even more revenues for public schools.

Projected Cumulative Statewide Net Revenues
Resulting from the Scholarship Program



The Net Revenues Accruing to the State are Projected to Grow as Public Education Funding Increases
($ in thousands)



Possible Impact Upon Per Pupil Expenditures

If the cumulative impact of the Corporate Tax Scholarship Program in this model is an increase in net revenues and the legislature decides to reinvest the net revenues into public education, then what would be the impact upon per pupil revenues? Using the annual net revenue gains and dividing them by the projected enrollment minus the scholarship participants, then an average annual increase in per pupil revenues could be calculated. The estimated average annual increase of per pupil net revenues over a ten year period is approximately $20 per pupil. The next chart illustrates this calculation:

FY Year	Projected FTE Less scholar FTE	Annual Net Revenues	Per FTE Net Revenues	Cumulative Revenues
FY 2001	2,453,636	$ 5,158,400.45	$ 2.10	$ 5,158,400.45
FY 2002	2,518,467	$ 26,758,083.45	$ 10.62	$ 31,916,483.90
FY 2003	2,573,842	$ 55,485,079.64	$ 21.56	$ 87,401,563.54
FY 2004	2,638,182	$ 57,491,441.78	$ 21.79	$ 144,893,005.32
FY 2005	2,695,715	$ 59,535,965.61	$ 22.09	$ 204,428,970.93
FY 2006	2,746,521	$ 61,619,376.98	$ 22.44	$ 266,048,347.90
FY 2007	2,788,870	$ 63,742,415.54	$ 22.86	$ 329,790,763.44
FY 2008	2,827,965	$ 65,905,835.02	$ 23.31	$ 395,696,598.47
FY 2009	2,864,610	$ 68,110,403.48	$ 23.78	$ 463,807,001.94
FY 2010	2,899,687	$ 70,356,903.57	$ 24.26	$ 534,163,905.52
FY 2011	2,934,054	$ 72,646,132.87	$ 24.76	$ 606,810,038.38

Conclusion

Based on the preliminary analysis presented here, the Collins Center concludes that there will be slight declines in state tax collections caused by the $50 million "Corporate Income Tax Credit Scholarship Program," but that these small declines will likely be offset by increases in the amount of statewide revenue available for education or other state purposes. Using a conservative growth rate of 1.9% for future education revenues, the increases in statewide net revenues could accumulate to more than $600 million over the next ten years as low-income students leave the public schools to participate in the scholarship program. The average annual net revenue increases that result from the "Corporate Income Tax Credit Scholarship Program," could be used to increase per pupil spending an average of approximately $20 per child over the next ten years or to increase state spending for other purposes.

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